TECNICAS REUNIDAS

CONSOLIDATED ANNUAL ACCOUNTS

Auditors' Report, Financial Statements at 31 December 2021 and Management Report for financial year 2021.

Técnicas Reunidas, S.A. and subsidiaries

Independent auditor´s report
on the consolidated Annual Accounts
and consolidated Director´s Report
for the year-ended December 31, 2021

This version of the independent auditors' report on the consolidated annual accounts is a free translation from the original, which is prepared in Spanish. All possible care has been taken to ensure that the translation is an accurate representation of the original. However, in all matters of interpretation of information, views or opinions, the original language version of the independent auditors' report on the consolidated annual accounts takes precedence over this translation.

Independent auditors' report on the consolidated annual accounts

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

Report on the consolidated annual accounts

Opinion

We have audited the consolidated annual accounts of Técnicas Reunidas, S.A. (the Parent Company) and its subsidiaries (the Group) consisting of the balance sheet at 31 December 2021, the income statement, statement of comprehensive income, statement of changes in equity, cash flow statement and related notes to the consolidated annual accounts, all consolidated, for the year then ended.

In our opinion, the accompanying consolidated annual accounts present fairly, in all material respects, the equity and financial position of the Group as at 31 December 2021, as well as its financial performance and cash flows, all consolidated, for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

Basis for opinion

We conducted our audit in accordance with legislation governing the audit practice in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated annual accounts* section of our report.

We are independent of the Group in accordance with the ethical requirements, including those relating to independence, that are relevant to our audit of the consolidated annual accounts in Spain, in accordance with legislation governing the audit practice. In this regard, we have not rendered services other than those relating to the audit of the accounts, and situations or circumstances have not arisen that, in accordance with the provisions of the aforementioned legislation, have affected our necessary independence such that it has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

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: +34 915 685 400, www.pwc.es
R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Deloitte, S.L. inscrita en el Registro Mercantil de Madrid, tomo 13.650. sección 8ª, folio 188, hoja M-54414, inscripción 96ª, C.I.F.: B-79104469.
Tel.: +34 915 14 50 00, Fax: +34 915 14 51 80, www.deloitte.es
Domicilio social: Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated annual accounts of the current period. These matters were addressed in the context of our audit of the consolidated annual accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How the matters were addressed in the audit
Liquidity and solvency risk due to the impact of COVID-19	
As outlined by the directors in Note 2.2 to the accompanying consolidated annual accounts for 2021, the COVID-19 crisis continued to impact the Group's results and generation of cash flows from operations in 2021. In 2021 the Group incurred losses amounting to €192 million while the Group's net cash was reduced during the year by €272 million as a result of the client's termination of the Teesside project and the delays in settlement by certain clients as well as the rescheduling of some projects, pushing the net debt up to €76 million at year end. Within this context, the Parent Company's directors have carried out an assessment of the Group's ability to continue conducting its business and meeting its operational and financial obligations (including the financial ratios required under financing contracts), based on expectations of compliance with the feasibility plan approved by Sociedad Estatal de Participaciones Industriales (SEPI) and the treasury plan approved by the Parent Company's Board of Directors for 2022, and have come to a favourable conclusion. In this respect, the Parent Company's directors consider that the Group's liquidity and solvency position will improve substantially in 2022 as a result of the gradual recovery of business, the development of the new portfolio of projects won and the conversion into cash of the work completed pending invoicing, along with the formalisation and payment of €340 million by the " Solvency Support Fund for Strategic Companies" in February 2022 (Notes 2.2 and 33 to the consolidated annual accounts). We identified this as a key audit matter since the conclusions drawn by the Parent Company's directors are based on the development of the Group's business and entail building expectations which require a high level of judgement and estimation, this area being significant in analysing the application of the going-concern principle.	Our audit procedures were performed by enhancing professional scepticism in the performance of our tests, including the design of the audit procedures aimed at reinforcing the assessment of the evidence obtained in the performance of our work and the analysis of different scenarios in the process for evaluating the assumptions used by the Group. In this respect, we obtained the feasibility plan prepared by management and approved by SEPI, as well as the latest results and liquidity projections drawn up by Group management and adapted to the current situation of the markets in which it operates. We assessed the reasonableness of that information based on our understanding of its activities, explanations, evidence and data approved by Group management concerning the evolution of the projects in progress, the situation of new portfolio business and other matters envisaged in the plan. Similarly, we carried out our own independent sensitivity analysis in order to assess other possible scenarios and we verified the consistency of the assumptions used by Group management with the evidence obtained in other audit areas. Lastly, we evaluated that the disclosures included in Note 2.2 and 33 to the accompanying consolidated annual accounts for 2021 in relation to this matter ensure an appropriate level of transparency regarding the consequences of the pandemic, and are compliant with the requirements of the applicable legislative framework, revealing the existing uncertainties caused by the pandemic and the mitigating actions being implemented by the Group. The results of the procedures performed have enabled the audit objectives for which such procedures were designed to be reasonably attained.

Key Audit Matters	How our audit addressed the key audit matter
Recognition of revenue from construction contracts The revenue recognition criteria applied by the Group are based on the percentage completion method in accordance with IFRS 15. When applying the percentage of completion method the Group applies significant estimates using relevant judgments regarding the total costs that are necessary to execute the contract, and regarding the amount of any claims or scope changes of the project that may be included as more revenue from the contract. The Group has implemented processes and controls to adequately recognize and oversee long-term contracts from the bidding phase, during execution and until the project is closed. These processes include, among other things: organization of the project, documentation, risk management, financial reviews and reporting, as well as controls over the adequate application of accounting principles. The information regarding construction contracts is set out in Notes 2.20, 4.5, 11 and 22 to the consolidated annual accounts. Given the relevance of the estimates used when recognizing revenue and their quantitative importance, and considering the situation caused by COVID-19 pandemic, this has been considered to be a key audit matter within our audit.	During our audit work we have taken into consideration our understanding of the controls over the process of estimating the margin obtained on long-term contracts. Our procedures include, among other things, the performance of tests of the design, implementation and operating effectiveness of certain relevant controls that mitigate the risks associated with the process of recognizing revenue from these types of construction contracts. To perform substantive tests we first selected a sample by applying quantitative and qualitative criteria, such as the identification of those relevant contracts either due to the total selling price of the contract or the amount of the revenue or margins recognized during the year, or the risk associated with the costs yet to be incurred to complete the contract. Additionally, we performed a selection based on statistical criteria for all of the remaining projects. We obtained the contracts relating to the selected projects so that we could read them and understand the most relevant clauses and their implications, as well as the budgets and execution oversight reports for those projects, and we performed the following procedures focusing on their main aspects: • We analysed the evolution of margins compared to variations in both the selling price and total budgeted costs , considering the impact of COVID-19 pandemic on the projects development. • We evaluated the coherence of the estimates made by the Group last year by comparing them with the actual data deriving from contracts the current this year. • We recalculated the percentage of completion of each stage of the selected projects and compared it with the results obtained from the Group’s calculations. • In relation to contract amendments and claims in negotiation with clients, we obtain evidence of technical approvals and the status of economic negotiations. • We obtained explanations regarding the reconciliation between the financial information and the follow-up reports for the projects provided by project management.

Key Audit Matters	How our audit addressed the key audit matter
	Finally, we have verified that the information disclosures included in Notes 2.20, 4.5, 11 and 22 to the accompanying consolidated annual accounts regarding the recognition of revenue from contracts based on the percentage of completion method are adequate in terms of those required by applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.
Tax inspection action Over the past few years the Group underwent an inspection of the Spanish Tax Group regarding corporate income tax for the years 2008 through 2011. After the tax inspection action was completed in 2015, the Parent Company received a proposed settlement totalling €138.2 million, plus interest due to discrepancies in transfer pricing. The Parent Company contested the assessment and appealed the decision through administrative processes and provided the necessary financial guarantees. During 2018, the Spanish Central Economic-Administrative Court (TEAC) partially resolved in favor of the Group reducing the amount of the settlement by €20.9 million plus interest and establishing the current amount of the claim at €117.3 million (plus interests). The Parent Company maintains the necessary guarantees corresponding to these assessments. The Group has implemented processes and controls to assess the risks and probability that a potential liability must be recognized in the consolidated annual accounts. It considers that there are legal arguments that support its position and that no provision has been recognised in this regard. The information relating to the tax inspection action taken by the tax authorities is set out in Note 26 to the consolidated annual accounts.	During the course of the audit we gained an understanding of the processes and evaluated the estimates used by management. To do so we obtained confirmation letters from attorneys to compare the assessment of the expected outcome, all related information and we identified potential liabilities and compared them against the Group's estimates. To analyse the reasonableness of the Group's estimate, we have involved internal tax specialists and, as part of our substantive work, we held interviews with the Group's attorneys regarding the actions taken by the tax authorities to date. Additionally, we have analysed the probability of success that the Group's challenge of the conclusions reached by the tax authorities will have, which corroborate the estimate made by the Group and the information regarding this matter set out in the consolidated annual accounts is adequate in the terms of applicable accounting legislation. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

pwc

Deloitte.

Key Audit Matters	How our audit addressed the key audit matter
Given the relevance of the estimates used regarding the probability that the risk will materialize and the amount claimed by the tax authorities in the assessments raised, we have considered this to be a key audit matter.	
Deferred tax assets The consolidated balance sheet at 31 December 2021 includes a balance of €410,858 thousand in deferred tax assets that mainly relate to temporary differences due to losses incurred in foreign businesses that will be recoverable within the context of the Spanish tax group led by the Parent Company when the companies engaging in those businesses are liquidated. It also includes a tax credit balance totalling €24,279 thousand (mainly relating to tax-loss carry forwards) that will be recoverable in jurisdictions other than Spain. At the end of the year Group management prepares revenue and profitability projections per project to assess the capacity of recovering deferred tax assets taking into consideration legislative changes and updates in the profitability of the various projects. This projections have been prepared, based on the available information at the date of the preparation of these consolidated annual accounts. The information relating to the deferred tax assets is disclosed in Note 26 to the consolidated annual accounts. We identified this matter as a key audit matter since the preparation of these projections requires a high level of judgment, basically with respect to the evolution of the project projections that affect the estimate made regarding the recovery of the deferred tax assets.	We have obtained an understanding and analysed the estimation process applied by directors and by management, focusing our procedures on matters such as: • The process of preparing the business plan, which is substantially supported on projects in progress, projects in the portfolio and estimates regarding new project intake based on past information prepared with the objective of evaluating the recognition, measurement and the capacity to recover the deferred tax assets. • The criteria used when calculating the deferred tax assets. • The base information used by management in its analysis regarding the recovery of deferred tax assets, verifying its congruence with the estimates regarding projects used in other areas of the audit such as revenue recognition or the assessment of the application of the going-concern principle. In addition, we have involved our internal tax especialist when considering the reasonableness of the tax assumptions used based on applicable legislation, to ensure that they are complete and adequate. Finally, we have verified that Note 26 to the accompanying consolidated annual accounts contains the appropriate disclosures in this respect. The results of the procedures performed allowed us to reasonably obtain the audit objectives for which these procedures were designed.

Other information: Consolidated directors' report

Other information comprises only the consolidated management report for the 2021 financial year, the formulation of which is the responsibility of the Parent company´s directors and does not form an integral part of the consolidated annual accounts.

Our audit opinion on the consolidated annual accounts does not cover the consolidated management report. Our responsibility regarding the consolidated management report, in accordance with legislation governing the audit practice, is to:

a) Verify only that the statement of non-financial information and certain information included in the Annual Corporate Governance Report, and the Annual Report on Director´s Remuneration, as referred to in the Auditing Act, has been provided in the manner required by applicable legislation and, if not, we are obliged to disclose that fact.

b) Evaluate and report on the consistency between the rest of the information included in the consolidated management report and the consolidated annual accounts as a result of our knowledge of the Group obtained during the audit of the aforementioned financial statements, as well as to evaluate and report on whether the content and presentation of this part of the consolidated management report is in accordance with applicable regulations. If, based on the work we have performed, we conclude that material misstatements exist, we are required to report that fact.

On the basis of the work performed, as described above, we have verified that the information mentioned in section a) above has been provided in the manner required by applicable legislation and that the rest of the information contained in the consolidated management report is consistent with that contained in the consolidated annual accounts for the 2021 financial year, and its content and presentation are in accordance with applicable regulations.

Responsibility of the directors and the audit and control committee at the Parent Company for the consolidated annual accounts

The Parent Company´s directors are responsible for the preparation of the accompanying consolidated annual accounts, such that they fairly present the consolidated equity, financial position and financial performance of the Group, in accordance with IFRS-EU and other provisions of the financial reporting framework applicable to the Group in Spain, and for such internal control as the directors determine is necessary to enable the preparation of consolidated annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated annual accounts, the Parent Company´s directors are responsible for assessing the Group´s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Parent Company´s audit and control committee is responsible for overseeing the process of preparation and presentation of the consolidated annual accounts.

Auditor's responsibilities for the audit of the consolidated annual accounts

Our objectives are to obtain reasonable assurance about whether the consolidated annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor´s report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with legislation governing the audit practice in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated annual accounts.

As part of an audit in accordance with legislation governing the audit practice in Spain, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated annual accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group´s internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Parent Company´s directors.

- Conclude on the appropriateness of the Parent Company´s directors´ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group´s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor´s report to the related disclosures in the consolidated annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor´s report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated annual accounts, including the disclosures, and whether the consolidated annual accounts represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated annual accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Parent Company´s audit and control committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Parent Company´s audit and control committee with a statement that we have complied with relevant ethical requirements, including those relating to independence, and we communicate with the audit committee those matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Parent Company´s audit and control committee, we determine those matters that were of most significance in the audit of the consolidated annual accounts of the current period and are therefore the key audit matters.

We describe these matters in our auditor´s report unless law or regulation precludes public disclosure about the matter.

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital files of the European single electronic format (ESEF) of Técnicas Reunidas, S.A. and its subsidiaries for the 2021 financial year that comprise an XHTML file which includes the consolidated annual accounts for the financial year and XBRL files with tagging performed by the entity, which will form part of the annual financial report.

The directors of Técnicas Reunidas, S.A. are responsible for presenting the annual financial report for 2021 financial year in accordance with the formatting and markup requirements established in the Delegated Regulation (EU) 2019/815 of 17 December 2018 of the European Commission (hereinafter the ESEF Regulation). In this regard, the Annual Corporate Governance Report and the Annual Director Remuneration Report have been included by reference in the consolidated management report.

Our responsibility is to examine the digital files prepared by the Parent company's directors, in accordance with legislation governing the audit practice in Spain. This legislation requires that we plan and execute our audit procedures in order to verify whether the content of the consolidated annual accounts included in the aforementioned digital files completely agrees with that of the consolidated annual accounts that we have audited, and whether the format and markup of these accounts and of the aforementioned files has been affected, in all material respects, in accordance with the requirements established in the ESEF Regulation.

In our opinion, the digital files examined completely agree with the audited consolidated annual accounts, and these are presented and have been marked up, in all material respects, in accordance with the requirements established in the ESEF Regulation.

Additional report for the Parent Company's audit and control committee

The opinion expressed in this report is consistent with the statements made in our additional report for the Parent Company's audit and control committee dated 28 February 2022.

Contract term

The General Shareholders Meeting held on 29 June 2021 appointed PricewaterhouseCoopers Auditores, S.L. and Deloitte, S.L. as the Group's co-auditors for one year, for the year ended 31 December 2021.

PricewaterhouseCoopers Auditores, S.L. had been previously designated for an initial period by a resolution adopted by the General Shareholders Meeting and has performed audit work without interruption since the year ended 31 December 1989.

Deloitte, S.L. had been previously designated for an initial period by a resolution adopted by the General Shareholders Meeting and has performed audit work without interruption since the year ended 31 December 2017.

Services rendered

Services other than audit rendered to the Group are those described in Note 32 to the accompanying consolidated annual accounts.

PricewaterhouseCoopers Auditores, S.L.

Registered with R.O.A.C. No. S0242

Original signed in Spanish by
Fernando Pindado Rubio
Registered with R.O.A.C. No. 23,102

28 February 2022

Deloitte, S.L.

Registered with R.O.A.C. No. S0692

Original signed in Spanish by
Antonio Sanchez- Covisa Martín-González
Registered with R.O.A.C. No. 21,251

28 February 2022

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

TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES

Consolidated financial statements at 31 December 2021 and consolidated directors' report for 2021

Table of contents of the consolidated financial statements of Técnicas Reunidas, S.A. and subsidiaries

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2021

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2021

CONSOLIDATED BALANCE SHEET
(Amounts in thousands of euros)

	Notes	At 31 December 2021	At 31 December 2020
ASSETS			
Non-current assets			
Property, plant and equipment	**6**	23,854	33,844
Other intangible assets	**7**	48,749	50,866
Rights of use on leased assets	**8**	40,486	20,905
Investments in associates	**9**	1,639	2,711
Deferred tax assets	**26**	410,858	407,261
Derivative financial instruments	**10**	7,202	3,336
Accounts receivable and other financial assets	**10.13**	75,840	85,628
		608,628	**604,551**
Current assets			
Inventories	**12**	8,589	8,894
Trade and other receivables	**10, 11**	2,568,029	2,355,285
Accounts receivable and other assets	**10, 13**	24,962	6,947
Derivative financial instruments	**10**	6,359	28,855
Cash and cash equivalents	**14**	666,879	931,535
		3,274,818	**3,331,516**
Total assets		**3,883,446**	**3,936,067**

The accompanying Notes 1 to 33 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2021

CONSOLIDATED BALANCE SHEET
(Amounts in thousands of euros)

		At 31 December	
	Notes	**2021**	**2020**
EQUITY			
Share Capital and Reserves attributable to the Parent's shareholders			
Share capital	**15**	5,590	5,590
Share premium	**15**	8,691	8,691
Treasury shares	**15**	(73,269)	(73,109)
Legal reserve	**16**	1,137	1,137
Capitalisation reserve	**16**	3,056	3,056
Hedging reserve	**10**	(2,622)	5,187
Cumulative translation differences	**17**	(96,043)	(117,286)
Retained earnings	**18**	248,556	439,391
Equity attributable to shareholders		**95,096**	**272,657**
Non-controlling interests	**18**	**9,562**	**10,936**
Total equity		**104,658**	**283,593**
LIABILITIES			
Non-current liabilities			
Borrowings	**10, 20**	475,533	372,176
Borrowings associated with rights of use of leased assets	**8, 10**	28,332	5,704
Derivative financial instruments	**10**	2	-
Deferred tax liabilities	**26**	64,412	72,199
Other liabilities	**10**	281	653
Employee benefit obligations		2,124	2,140
Provisions for contingencies and charges	**21**	70,295	37,227
		640,979	**490,099**
Current liabilities			
Trade payables	**10, 19**	2,775,067	2,678,103
Current tax liabilities	**26**	14,557	51,509
Borrowings	**10, 20**	267,352	363,979
Borrowings associated with rights of use of leased assets	**8, 10**	13,089	16,534
Derivative financial instruments	**10**	18,868	5,875
Other accounts payable	**10, 19**	18,167	16,434
Provisions for contingencies and charges	**21**	30,709	29,941
		3,137,809	**3,162,375**
Total liabilities		**3,778,788**	**3,652,474**
Total equity and liabilities		**3,883,446**	**3,936,067**

The accompanying Notes 1 to 33 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2021

CONSOLIDATED INCOME STATEMENT

(Amounts in thousands of euros)

	Notes	Year ended 31 December 2021	Year ended 31 December 2020*
Revenue	**22**	2,807,593	3,520,589
Changes in inventories		729	2,518
Procurements	**23**	(2,124,278)	(2,565,675)
Employee benefit expenses	**24**	(475,730)	(561,856)
Depreciation, amortisation and impairment losses	**6, 7 and 8**	(27,411)	(43,216)
Lease and royalty expenses		(38,273)	(42,112)
Other operating expenses	**23**	(318,917)	(289,251)
Other gains or losses	**23**	12,556	10,315
Other operating income	**23**	7,087	10,152
Profit/loss from operations		**(156,644)**	**41,464**
Finance income	**25**	2,644	3,147
Finance costs	**25**	(24,730)	(24,053)
Share in profit/(loss) of associates	**9**	(1,072)	(675)
Profit/loss before tax		**(179,802)**	**19,883**
Income tax	**26**	(12,331)	(6,901)
Profit/loss for the year		**(192,133)**	**12,982**
Attributable to:			
Company shareholders		(190,443)	11,049
Non-controlling interests		(1,690)	1,933
		(192,133)	**12,982**
(Loss)/Earnings per share for profit attributable to the equity holders of the Company (expressed in euros per share):			
- Basic and diluted	**27**	(3.55)	0.21

* See Note 2.1

The accompanying Notes 1 to 33 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 DECEMBER 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
(Amounts in thousands of euros)

	Notes	Year ended 31 December	
		2021	**2020**
Profit/loss for the year		**(192,133)**	**12,982**
Items that may be reclassified to profit or loss			
Cash flow hedges	**10**	(11,719)	36,465
Tax effect		3,910	(7,072)
Cash flow hedges, net of tax		(7,809)	29,393
Exchange differences on translation of foreign operations	**17**	21,559	(80,187)
Total items that may be reclassified to profit or loss		**13,750**	**(50,794)**
Other comprehensive profit/loss for the year, net of tax		**13,750**	**(50,794)**
Total comprehensive profit/loss for the year		**(178,383)**	**(37,812)**
Attributable to:			
Owners of the Parent		(177,009)	(39,494)
Non-controlling interests		(1,374)	1,682
Total comprehensive profit/loss for the year		**(178,383)**	**(37,812)**

The accompanying Notes 1 to 33 and Appendices I to IV are an integral part of these consolidated financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands of euros)

	Attributable to equity holders of the Parent							Equity attributable to shareholders	Non-controlling interests	Total equity
	Share capital (Note 15)	Share premium (Note 15)	Treasury shares (Note 15)	Legal and capitalisation reserves (Note 16)	Hedging reserve (Note 10)	Cumulative translation differences (Note 17)	Retained earnings (Note 18)		(Note 18)	
Balance at 01 January 2021	**5,590**	**8,691**	**(73,109)**	**4,193**	**5,187**	**(117,286)**	**439,391**	**272,657**	**10,936**	**283,593**
Comprehensive profit/loss										
Profit/loss for 2021	-	-	-	-	-	-	(190,443)	(190,443)	(1,690)	(192,133)
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	(7,809)	-	-	(7,809)	-	(7,809)
Exchange differences on translation of foreign operations	-	-	-	-	-	21,243	-	21,243	316	21,559
Total other comprehensive income	-	-	-	-	(7,809)	21,243	-	13,434	316	13,750
Total comprehensive profit/loss for the year	**-**	**-**	**-**	**-**	**(7,809)**	**21,243**	**(190,443)**	**(177,009)**	**(1,374)**	**(178,383)**
Transactions with owners in their capacity as such:										
Treasury share transactions (net)	-	-	(160)	-	-	-	(392)	(552)	-	(552)
Total transactions with owners in their capacity as such	**-**	**-**	**(160)**	**-**	**-**	**-**	**(392)**	**(552)**	**-**	**(552)**
Balance at 31 December 2021	**5,590**	**8,691**	**(73,269)**	**4,193**	**(2,622)**	**(96,043)**	**248,556**	**95,096**	**9,562**	**104,658**

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 December 2021

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
(Amounts in thousands of euros)

	Attributable to equity holders of the Parent									
	Share capital (Note 15)	Share premium (Note 15)	Treasury shares (Note 15)	Legal and capitalisation reserves (Note 15)	Hedging reserve (Note 10)	Cumulative translation differences (Note 17)	Retained earnings (Note 18)	Equity attributable to shareholders	Non-controlling interests (Note 18)	Total equity
Balance at 01 January 2020	**5,590**	**8,691**	**(73,830)**	**4,193**	**(24,206)**	**(37,350)**	**434,210**	**317,298**	**12,730**	**330,028**
Comprehensive profit/loss										
Profit/loss for 2020	-	-	-	-	-	-	11,049	11,049	1,933	12,982
Other comprehensive income										
Cash flow hedges, net of tax	-	-	-	-	29,393	-	-	29,393	-	29,393
Exchange differences on translation of foreign operations	-	-	-	-	-	(79,936)	-	(79,936)	(251)	(80,187)
Total other comprehensive income	**-**	**-**	**-**	**-**	**29,393**	**(79,936)**	**-**	**(50,543)**	**(251)**	**(50,794)**
Total comprehensive profit/loss for the year	**-**	**-**	**-**	**-**	**29,393**	**(79,936)**	**11,049**	**(39,494)**	**1,682**	**(37,812)**
Transactions with owners in their capacity as such:										
Treasury share transactions (net)	-	-	721	-	-	-	(1,092)	(371)	-	(371)
Distribution of 2019 profit	-	-	-	-	-	-	-	-	(94)	(94)
Other changes	-	-	-	-	-	-	(4,776)	(4,776)	(3,382)	(8,158)
Total transactions with owners in their capacity as such	**-**	**-**	**721**	**-**	**-**	**-**	**(5,868)**	**(5,147)**	**(3,476)**	**(8,623)**
Balance at 31 December 2020	**5,590**	**8,691**	**(73,109)**	**4,193**	**5,187**	**(117,286)**	**439,391**	**272,657**	**10,936**	**283,593**

The accompanying Notes 1 to 33 and Appendices I to IV are an integral part of these consolidated financial statements.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 December 2021

CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands of euros)

	Notes	Year ended 31 December	
		2021	2020
Cash flows from operating activities			
Profit/loss for the year		(192,133)	12,982
Adjustments for:			
- Taxes	**26**	12,331	6,901
- Amortisation of intangible assets and rights of use of leased assets	**6, 7 and 8**	27,411	43,216
- Net change in provisions	**21**	33,836	(10,769)
- Share in profit/(loss) of associates	**9**	1,072	675
- Changes in fair value of financial instruments	**13**	-	2,304
- Interest income	**25**	(2,644)	(3,455)
- Interest expense	**25**	19,588	17,470
- Gains on sales of Group companies and associates	**23**	(12,556)	(10,315)
- Change in gains/(losses) on derivatives	**10**	13,781	(16,667)
- Exchange differences	**25**	5,142	6,583
- Other income and expenses		3,748	(1,351)
Changes in working capital:			
- Inventories		305	(3,615)
- Trade and other receivables		(217,426)	259,953
- Other financial assets		-	61,744
- Trade payables		107,796	(356,191)
- Other accounts payable		1,362	(4,788)
- Settlements of hedging derivatives and other changes		6,126	(29,189)
Other cash flows from operating activities:			
- Interest paid		(19,949)	(15,591)
- Interest received		2,644	3,455
- Taxes paid		(57,603)	(79,937)
Net cash flows from operating activities		**(267,169)**	**(116,585)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	**6**	(2,379)	(3,934)
Acquisition of intangible assets	**7**	(596)	(113)
Investments in associates	**9**	-	(3)
Proceeds from sales to Group companies and associates	**25**	15,109	27,657
Disposal of non-current assets		1,894	7,031
Net cash flows used in investing activities		**14,028**	**30,638**
Cash flows from financing activities			
Borrowings obtained in the year		717,512	718,300
Repayment of borrowings		(710,133)	(560,149)
Lease payments		(18,342)	(28,925)
Dividends paid	**18**	-	(94)
Acquisition/disposal of treasury shares (net)	**15**	(552)	721
Net cash flows generated from financing activities		**(11,515)**	**129,853**
Net change in cash and cash equivalents		**(264,656)**	**43,906**
Cash and cash equivalents at beginning of year		**931,535**	**887,629**
Cash and cash equivalents at end of year		**666,879**	**931,535**

The accompanying Notes 1 to 33 and Appendices I to IV are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements
(Amounts in thousands of euros)

1. General information

Técnicas Reunidas, S.A. (the 'Company' or the 'Parent') and its subsidiaries (together, the 'Group') was incorporated on 6 July 1960 as a public limited liability company. It is registered with the Commercial Registry of Madrid in volume 1,407, sheet 5,692, page 129. The latest adaptation and amendment of its Articles of Association is registered in volume 22,573, section 8, book 0, page 216, sheet M-72319, entry 192.

On 21 May 2021, the registered office of Técnicas Reunidas, S.A. was transferred from Arapiles 14, 28015, Madrid, along with its main offices, from Arapiles 13, 28015, Madrid, to Avenida de Burgos, 89, Madrid, Spain.

The Company's corporate purpose is described in Article 4 of the Articles of Association and consists of the performance of all manner of engineering and construction services for industrial plants, ranging from viability or basic and conceptual engineering studies to large and complex turnkey engineering and design projects, management of supply, equipment and material deliveries and construction of plants and related or associated services, such as technical assistance, construction supervision, project management, technical management, start-up and training.

Within its engineering services business, the Group operates through various lines of business, mainly in the oil and gas, power and infrastructure sectors.

Since 21 June 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading, and are listed on the continuous market of the Spanish Stock Exchange.

The Group's consolidated financial statements for 2020 were approved without modifications by the shareholders at the Annual General Meeting on 29 June 2021.

These consolidated financial statements were authorised for issue by the Parent's Board of Directors on 28 February 2022. The Parent's directors will submit these consolidated financial statements at the Annual General Meeting, and it is expected that they will be approved without any changes.

2. Summary of the main accounting policies

The main accounting policies applied in the preparation of these consolidated financial statements are set out below.

2.1. Basis of presentation

The Parent's directors prepared the Group's consolidated financial statements as at 31 December 2021 in accordance with the International Financial Reporting Standards adopted for use in the European Union (the 'EU-IFRS') and approved by the European Commission Regulations and in force at 31 December 2021, with IFRIC interpretations and with the commercial law applicable in Spain to institutions preparing information in accordance with EU-IFRSs. The consolidated financial statements were prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments), measured at fair value.

Unless indicated otherwise, the policies explained below were applied consistently to all years in which these consolidated financial statements are presented.

These consolidated financial statements, which were prepared from the accounting records of de Técnicas Reunidas, S.A. and its subsidiaries, present fairly the Group's consolidated equity and its financial position at 31 December 2021, as well as its consolidated results, changes in consolidated equity and consolidated cash flows for the year ended on that date.

The preparation of these consolidated financial statements in accordance with EU-IFRSs requires the use of certain critical accounting estimates. It also requires Management to make judgements in the application of the

Group's accounting policies. Areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

For information comparison purposes, the Group presents, together with the consolidated balance sheet, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the years ended 31 December 2021 and 2020.

EUR 31,576 thousand was reclassified from under the 2020 'Procurements' figures to 'Other operating expenses' to make them comparable to 2021 figures.

The Group presents comparative information in the explanatory notes to the consolidated financial statements when is relevant to an understanding of the current year's consolidated financial statements.

The figures contained in these consolidated financial statements are shown in thousands of euros, unless expressly stated otherwise.

2.1.1. Changes in accounting policies and breakdowns

a) Mandatory standards, amendments and interpretations for all annual periods beginning on or after 1 January 2021:

As a result of their approval, publication and entry into force on 1 January 2021, the following standards have been applied:

- IFRS 4 (Amendment) 'Deferred application of IFRS 9'.
- IFRS 9 (Amendment), IFRS 7 (Amendment), IAS 39 (Amendment), IFRS 4 (Amendment) and IFRS 16 (Amendment) – 'Interest rate benchmark reform: Phase 2'.
- IFRS 16 (Amendment) 'COVID-19-Related Rent Concessions beyond 30 June 2021'.

The application of these amendments and interpretations did not have a significant effect on these consolidated financial statements.

b) Standards, amendments and interpretations that have not yet entered into force but that may be adopted early.

- IAS 16 (Amendment) – 'Proceeds before intended use'.
- IAS 37 (Amendment) 'Onerous Contracts — Cost of Fulfilling a Contract'.
- IFRS 3 (Amendment) – 'Reference to the conceptual framework'.
- Annual improvements to IFRSs, 2018-2020 cycle.

The Group is in the process of analysing the impacts that the new regulations may have on the consolidated financial statements, although they are not expected to be material.

c) Standards, amendments and interpretations of existing standards that cannot be adopted early or that have not been adopted by the European Union as of the date of this note:

At the date of signing of these consolidated financial statements, the IASB and the IFRS Interpretations Committee had published the following standards, amendments and interpretations, which are indicated below, and that have not yet been adopted by the EU:

- IFRS 10 (Amendment) and IAS 28 (Amendment) – 'Sale or contribution of assets between an investor and its associate or joint venture'.
- IAS 1 (Amendments) – 'Classification of liabilities as current or non-current'.
- IAS 1 (Amendment) – 'Disclosure of accounting policies'.
- IAS 8 (Amendment) – 'Definition of accounting estimates'.
- IAS 12 (Amendment) 'Deferred tax related to assets and liabilities arising from a single transaction'.
- IAS 17 (Amendment) 'Insurance contracts - initial application of IFRS 17 and IFRS 19'. Comparative information.

The Group is currently analysing the impact that the new standards may have on the consolidated financial statements.

2.2. Effects of COVID-19 on the Group's activity

The unexpected outbreak of the pandemic that occurred in December 2019 and the successive variants of the virus continues to affect economic markets, goods and services, and financial markets. In 2021, the challenges and uncertainties associated with the effectiveness of vaccines and continuous outbreaks of the illness continue to complicate the assessment of the economy in general and the oil and gas sector in particular.

The uncertainty caused by the pandemic continued to lead to a certain slowdown in the execution of projects, the gradual re-launch of some projects rescheduled at the request of our clients and the delay in final decisions regarding new investments. All of this has led to postponing of sales slated for 2021, impacting the Group's performance and cash position.

To mitigate these impacts, the Group, in addition to prioritising health protection for its employees, continued to carry out all activities initiated in 2020, aimed at strengthening the implementation of portfolio projects, consolidating the efficiency plan implemented since 2019, achieving new projects and its liquidity position. It should be noted that in projects in the portfolio affected by COVID-19, the Group has concluded price and term negotiations with its clients, with negotiations still ongoing due to the impact of COVID-19 on a smaller percentage of the portfolio.

In addition, the Group extended the maturity of its ICO-COVID facilities, in accordance with Royal Decree Law 34/20, of 17 November, which enables it to preserve its liquidity. It should also be noted that the Group applied for EUR 340 million in aid from the Fund for Supporting the Solvency of Strategic Companies in the second quarter of 2021 to strengthen its solvency and liquidity, in accordance with Royal Decree Law 25/2020, of 3 July, managed by the Spanish State-Owned Industrial Holding Company (SEPI), the payment of which was made on 24 February 2022. This aid took the form of a participating loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million (see Note 33).

Lastly, it was noteworthy that in the first months of 2022 the Group's activity progressed positively, as did contracting of new projects and the completion of projects that were practically finished at the end of 2021.

With the information available, the Group assessed the main impacts of the pandemic on these consolidated annual financial statements, which are described below:

Impact on operations

The Group maintains the backlog awarded in recent years. None of the EPC projects in this backlog have been cancelled. However, the COVID-19 crisis substantially affected the Group's operations, especially in the Middle East. In general, project performance has slowed down, especially in the procurement and construction phases, and some projects were rescheduled at the request of clients, extending their execution time.

No additional general rescheduling is expected. Geographical diversification, constant communication with our clients and suppliers, and legal and contractual mechanisms to offset the effects of significant changes in contracts allow us to mitigate, but not eliminate, the associated risks.

The net effect of COVID-19 during the pandemic amounted to a loss of EUR 230 million, of which, based on the degree of progress approach, EUR 210.1 million had been recognised at 31 December 2021, with EUR 112.6 million corresponding to direct and indirect non-recoverable costs of our clients and EUR 97.5 million related to the Teesside project and its termination by the client in April 2021. The client enforced the guarantees and the Group filed a request for arbitration to protect its rights and the work to be billed. The costs incurred in connection with COVID-19 in 2021 amounted to EUR 425.3 million, of which EUR 263.4 million are expected to be recovered from our clients. The total cumulative volume of costs associated with COVID-19 since the beginning of the pandemic amounts to EUR 668.6 million, of which EUR 439.1 million have been recovered, or are expected to be recovered, from our clients.

The year saw the appearance of new investments, which represents a change in trend, with significant awards having taken place in 2021. The Parent's directors consider that new awards will be made to the Group in 2022 and that, if there are delays in them, they will not spell the cancellation of the opportunities in progress.

Impact on liquidity

The coronavirus crisis continued to affect the Group in 2021 both in terms of earnings and in generating cash flows. In this regard, the Group incurred losses of EUR 192 million in 2021 and the Group's net cash was reduced by EUR 272 million in the year, as a result of the termination of the Teesside project by the client, as well as the delays in the settlements of certain trade receivables and the rescheduling of certain projects, with net debt reaching 76 million at year-end.

The Group constantly monitors its liquidity needs by preparing a cash flow plan to ensure that it has the necessary financial resources to cover its operating needs in the coming years. The cash plan approved by the Board includes the following main assumptions:

- Sustained recovery in activity and financial flows in 2022.
- Progress on projects in accordance with the schedules agreed with clients.
- Gradual recovery of new projects awarded and their impact on cash.
- Progress on the ongoing plans to improve efficiency and cash flows.
- Cash conversion of our work performed but not yet billed according to a standard scenario.
- Disbursement from SEPI for EUR 340 million in February 2022.

Furthermore, to strengthen its liquidity position, in 2021 and the first months of 2022 the Group extended the maturity of its borrowings and obtained new short and long-term financing. It also implemented new measures for managing working capital to mitigate the impact of the slowdown in payment for work performed but not yet billed. In addition, the Group obtained a waiver from complying with the financial ratios under all its facility agreements with covenants for all of 2021.

The Parent's directors, taking into account the forecasts for recovery in 2022 of the general environment and in particular of the Group's business, consider that its liquidity position will improve substantially due, among other aspects, to the normal progress on the projects underway, the development of a new portfolio of awarded projects and the conversion into cash of the executed work pending invoicing (see note 11).

In addition, the Group has negotiated with certain clients to settle exchange orders, claims, work executed pending invoicing and the return of guarantees, having had to waive, on an ad hoc and extraordinary basis, part of the amounts claimed. In addition, in the first months of 2022 agreements were reached with clients in relation to claims and change orders for a total amount of EUR 212,835 thousand, which will enable the Group to invoice and collect on the work pending certification from these clients in accordance with the agreed payment schedule (see note 11). In addition, the disbursement of EUR 340 million from the ‘Fund for Supporting the Solvency of Strategic Companies’, received on 24 February 2022, has strengthened the Group's liquidity position and reasonably mitigates any isolated liquidity stress that the Group may experience during 2022.

The Parent's directors have made an assessment of the Group's ability to continue to operate and meet its financial obligations, based on expectations of compliance with the viability plan approved by the Spanish State-Owned Industrial Holding Company (SEPI) and the cash plan approved by the Board for 2022. The Directors of the Parent Company estimate that the Group's liquidity and solvency position will improve substantially in 2022 as a result of the gradual recovery of its activity, the development of a new portfolio of awarded projects, the conversion into cash of the executed work pending invoicing, together with the formalisation and disbursement of EUR 340 million from the ‘Fund for Supporting the Solvency of Strategic Companies’ in February 2022. For all these reasons, the Parent's directors have concluded favourably on the application of the going concern principle in the preparation of the consolidated financial statements for 2021.

Impact on solvency

The losses incurred in relation to COVID 19 during 2021 have resulted in a contraction of equity of EUR 179 million. However, the Parent’s directors consider that the Group has sufficient mechanisms in place to recover this loss. In this regard, on 24 February 2022 the Group initiated the process to receive EUR 340 million from the 'Fund for Supporting the Solvency of Strategic Companies’, in accordance with Royal Decree Law 25/2020, of 3 July, which is managed by the Spanish State-Owned Industrial Holding Company (SEPI). This payment is structured into two tranches: A first tranche consisting of a participating loan of EUR 175 million, and a second tranche, in the form of an ordinary loan, of EUR 165 million. Both loans will have a term of four and a half years, with the possibility of early repayment, although the ordinary loan has a 1-year deferral. The objective of the participating loan is to strengthen the Parent's equity back to pre-COVID levels (see Note 33).

Impact on the valuation of assets and liabilities in the consolidated balance sheet

There have been no cancellations of EPC projects included in the backlog, or significant increases in the risk of non-payment due to deterioration in the financial position of clients or in the assessment of expected losses due to the quality and solvency of the client portfolio. Likewise, the Group assessed the recoverability of the assets related to the work performed but not yet billed, and those relating to exchange orders and claims, as well as the recoverability of deferred tax assets based on the estimated medium- and long-term performance of operations and the business assumptions indicated in Note 26, concluding that they may be recovered.

Lastly, it should be noted that the Group's directors and management are constantly monitoring any changes in the situation in order to successfully address any potential financial and non-financial impacts that may arise.

2.3. Basis of consolidation

2.3.1. Scope of consolidation

The scope of consolidation of Técnicas Reunidas consists of: Técnicas Reunidas, S.A., the Parent, its subsidiaries and associates. The Group also has joined interests with other entities for investees in jointly controlled entities and unincorporated temporary joint ventures ('UTEs'). Appendices I, II, III and IV to these notes to the financial statements include additional information with regard to the entities included in the scope of consolidation.

For the purpose of preparing these consolidated financial statements, a group is considered to exist when the Parent has one or more subsidiaries over which this Parent has direct or indirect control.

The Parent and certain subsidiaries also have interests in UTEs and consortiums, and the figures for the relevant assets, liabilities, income and expenses corresponding to the UTEs and consortiums are included on a proportionate basis. Appendix IV lists the UTEs and consortiums in which the Group companies have interests.

Changes in the scope of consolidation in 2021 consisted of the sale of Técnicas Reunidas, S.A.'s stake in Técnicas Reunidas Australia Pty Ltd and the derecognition due to liquidation of Técnicas Reunidas Hellas, S.A.

The changes in the scope of consolidation in 2020 were as follows:

The company Técnicas Reunidas Global for Engineering Consultancy Company Limited, in which Técnicas Reunidas, S.A. holds a 100% interest, was incorporated and its shareholdings in Eurocontrol, S.A. were sold, with the result that this company and its subsidiaries Eurocontrol Internacional Services, S.L. and Euromoody Internacional Services, S.L. were removed from the scope of consolidation (see Note 7).

There were no business combinations in 2021 or 2020.

a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when it is exposed or has the right to obtain variable returns from its involvement in the investee and has the ability to use its power over this entity to influence these returns. Subsidiaries are consolidated from the date on which control passes to the Group, and are excluded from consolidation on the date on which control ceases to exist.

The subsidiaries are fully consolidated and all their assets, liabilities, income, expenses and cash flows are included in the consolidated financial statements after transactions and balances between Group companies are eliminated. The accounting policies of the subsidiaries have been modified when necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in profit or loss and equity of the subsidiaries is shown separately in the consolidated income statement, the consolidated balance sheet, the consolidated statement of changes in equity and the consolidated statement of comprehensive income.

Appendix I to these notes provides a breakdown of the details on the subsidiaries included in the scope of consolidation through full consolidation.

- **Changes in the ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests resulting in a loss of control are recognised as equity transactions, i.e., as transactions with owners in their capacity as such. The difference between the fair value of the consideration paid and the relevant portion acquired of the carrying amount of the subsidiary's net assets is recognised under equity. Gains or losses on the disposal of non-controlling interests are recognised under equity.

- **Disposals and liquidations of subsidiaries**

All the shares of the company Técnicas Reunidas Australia Pty Ltd. were sold in 2021. The net profit on the sale amounted to EUR 12,556 thousand, which is recognised in the consolidated income statement under 'Other gains or losses' (see Note 23.4).

In 2020 all the shares of the company Eurocontrol, S.A. were sold. The net profit on the sale amounted to EUR 10,315 thousand, recognised in the consolidated income statement under 'Other gains or losses' (see Note 23.4).

b) Associates

Associates are all entities over which the Group exercises significant influence but not control, which is generally accompanied by an ownership interest of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method. Under the equity method, the investment is initially recognised at cost and the carrying amount is increased or reduced to recognise the investor's interest in the results of the investee following the acquisition date. The Group's investment in associates includes goodwill identified on acquisition.

If its ownership interest in an associate is reduced but significant influence is maintained, only the proportionate interest of the amounts previously recognised in other consolidated comprehensive gains or losses is reclassified, where appropriate, to the consolidated income statement.

The Group's share of its associates' post-acquisition gains or losses is recognised in the income statement and its share of post-acquisition changes in other consolidated comprehensive income is recognised in other consolidated comprehensive gains or losses with the relevant adjustment to the carrying amount of the investment. When the Group's share in the losses of an associate is equal to or exceeds its interest in the associate, including any other non-current unsecured receivables, it does not recognise further losses, unless it has assumed legal or implicit commitments or made payments on behalf of the associate.

At each financial reporting date, the Group determines whether there is any objective evidence that the investment in the associate has become impaired. If this is the case, the Group calculates the amount of the impairment loss as the difference between the recoverable amount of the associate and its carrying amount and recognises that amount under 'Share of profit/loss of an associate' in the consolidated income statement.

Profit and loss resulting from upstream and downstream transactions between the Group and its associates are recognised in the Group's consolidated financial statements only if they correspond to unrelated investors' interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment loss on the asset transferred. The accounting policies of the associates have been modified when necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising on investments in associates are recognised in the consolidated income statement.

No investments in associates were sold in 2021 or 2020. Appendix II to these notes to the consolidated financial statements provides a breakdown of the details on the associates accounted for using the equity method.

c) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Investments in joint arrangements under IFRS 11 are classified as joint operations or joint ventures, depending on the contractual rights and obligations of each investor. The Técnicas Reunidas Group has assessed the nature of its joint arrangements and determined that they should be classified as joint operations.

Joint operations mean that a venturer has direct rights over the assets, liabilities, income and expenses of the entity in which it has an interest. Accordingly, joint ventures arise when a venturer has the right to the profit or loss or to the net assets of the entity in which it has an interest and, therefore, its interest in the entity is recognised using the equity method.

The proportional amount of the line items of the joint arrangement's balance sheet and income statement are included in the balance sheet and income statement of the venturer depending on its percentage of ownership interest and the cash flows in the consolidated statements of cash flows.

Appendix III to these notes provides a breakdown of the details on the joint arrangements included in the scope of consolidation.

d) Unincorporated temporary joint ventures (UTEs)

An unincorporated temporary joint venture (UTE) is an arrangement between companies, for a specified or unspecified period of time, to carry out or execute works, services or supplies.

The proportional amount of the line items of the UTE’s balance sheet and income statement are included in the balance sheet and income statement of the venturer depending on its percentage of ownership interest and the cash flows in the statement of cash flows.

Appendix IV to these notes provides a breakdown of the details on the UTEs whose financial information is recognised by the companies included in the scope of consolidation.

2.4. Segment information

The information on segments is presented in accordance with the internal information provided to the chief operating decision maker (see Note 5).

The accounting policies applied to prepare the segment information are the same as those described in these consolidated financial statements.

The chief operating decision maker is the Parent’s Board of Directors.

2.5. Foreign currency transactions

a) Functional and presentation currency

The items of each of the Group's institutions included in these consolidated financial statements are measured using the currency of the main economic environment in which the institution operates, which mainly affects revenue and expenses (‘functional currency’). The consolidated financial statements are presented in euros.

b) Transactions and balances

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, unless they are deferred to other consolidated comprehensive income, as in the case of qualifying cash flow hedges.

Foreign exchange gains and losses are recognised under ‘Gains or losses on foreign currency transactions’ included under ‘Financial profit/loss’ on the consolidated income statement (see Note 25).

c) Group companies

The profit or loss and balance sheet of all Group companies whose functional currency is different from the presentation currency are translated to the presentation currency as follows:

- Assets and liabilities on each balance sheet presented are translated at the exchange rate prevailing at each balance sheet date;

- Income and expenses in the income statement and statement of comprehensive income are translated at the average exchange rate; and
- Equity items (except for income statement headings) are translated at the historical exchange rate.

All resulting translation differences are recognised as a separate component of other consolidated comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate. Exchange differences that arise are recognised under 'Exchange differences on translation of foreign operations' in the consolidated statement of comprehensive income.

2.6. Property, plant and equipment

The Group follows the historical cost model, whereby the items of property, plant and equipment are recognised at their initial cost less any accumulated depreciation and accumulated impairment losses, except in the case of land, which is not depreciated and is presented net of impairment losses.

The initial historical cost includes the expenses directly attributable to the acquisition of the items of property, plant and equipment.

Subsequent costs are capitalised only when it is probable that the future economic benefits associated with the items will flow to the Group and the cost of the item can be determined reliably. As a general rule, all repairs and maintenance expenses are recognised in the consolidated income statement in the year in which they are incurred.

The depreciation of the assets is calculated using the straight-line method based on their estimated useful lives and the residual value of the assets. The estimated useful lives of the various asset categories are the following:

Classification/Items	Useful life			
Industrial structures and buildings	25	-	50	Years
Plant and Machinery	5	-	10	Years
Complex and general fixtures	12	-	17	Years
Furniture and office equipment	3	-	10	Years
Computer hardware			4	Years
Vehicles			7	Years
Other items of property, plant and equipment	7	-	10	Years

The residual values and useful lives of the assets are reviewed, and adjusted if necessary, at the end of each reporting period.

If an asset's carrying amount is greater than its estimated recoverable amount, its value is immediately reduced to its recoverable amount.

Gains and losses on the sale of property, plant and equipment are determined by comparing the income obtained with the carrying amount and are recognised under 'Other operating expenses' or 'Other operating income' in the consolidated income statement. The work carried out by the Group on its assets is stated at production cost and recognised as revenue in the consolidated income statement.

2.7. Intangible assets

a) Computer software

Licences for computer software acquired are capitalised based on the costs incurred to acquire them and bring the specific software to use. These costs are amortised over their estimated useful lives (4 years).

The expenses related to software development or maintenance are recognised when they are incurred. The costs directly related to producing unique and identifiable computer software controlled by the Group that is likely to generate economic benefits exceeding the costs for more than one year, are recognised as intangible assets.

These direct costs include the staff costs for the computer program developers and a suitable portion of general overheads. Software development costs recognised as assets are amortised over the software's estimated useful life (4 years).

b) Concessions

Concessions refer to the administrative authorisations granted by various municipal councils for the construction and subsequent operation of car parks and other assets for a period of time stipulated in each agreement. The accounting treatment of these assets has been defined based on the classification of the concession assets as intangible assets measured at fair value (understood to be the value resulting from their construction, which is established as the cost value). Once the concession assets become operational, the proceeds for operating the various concessions are recognised as revenue, the operating expenses are expensed currently, and the intangible assets are amortised on a straight-line basis over the term of the concession. The profitability of the project is reviewed at each year-end to assess whether there is any indication of impairment, i.e., an indication that the value of the assets may not be recoverable through the revenue generated while in use.

Throughout the term of the concession, the concession operator is required to repair and maintain the facilities and to keep them in proper working order. Repair and upkeep expenses are recognised in the income statement. No liabilities were recognised since the present value of the obligation is not significant.

c) Research and development expenditure

Research expenditure is recognised as an expense when incurred. The costs incurred in development projects are recognised as intangible assets when the following requirements are met:

- It is technically feasible to complete the intangible asset so that it will be available for use or sale;
- Management's intent is to complete the intangible asset and use or sell it;
- The intangible asset may be used or sold;
- The manner in which the intangible asset will generate probable future economic benefits can be demonstrated;
- Adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Other development costs are recognised as an expense when incurred. Development costs previously recognised as an expense are not capitalised in subsequent years.

Grants received for research and development projects are transferred to income in accordance with the criteria for recognising research and development expenditure in the income statement.

2.8. Rights of use on leased assets and associated financial debt

The rights of use on leased assets and the financial debt associated with them represent the right to use the asset in question and the obligation to make payments under the lease, respectively.

Right-of-use assets on leased assets are measured at cost, which includes the following:

- The amount of the initial measurement of the lease liability;
- any lease payments made on or before the commencement date, less any lease incentives received.
- any initial direct costs; and
- restoration costs.

Right of use assets are amortised on a straight-line basis over the useful life of the asset or the lease term, whichever is shorter.

The financial debt associated with the right to use the leased assets includes the net present value of the lease payments.

Lease payments are discounted using the tenant's incremental borrowing rate, which is the rate that the individual tenant would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, guarantees and conditions.

The Group is exposed to potential future increases in lease payments based on an index or benchmark, which are not included in the lease liability until they take effect. At that time, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is expensed over the lease term so as to produce a constant periodic interest rate on the remaining balance of the liability for each period.

The term of the lease is considered to be the non-cancellable period. If the Group has a unilateral option to extend or terminate the lease and there is reasonable certainty that this option will be exercised, the corresponding extension or early termination period will also be considered. The maximum period estimated for the renewal of a contract is 3 years, since there is no reasonable certainty that it will be extended beyond that period. In the case of office rentals in companies whose duration is linked to the duration of the project they are performing, the maximum renewal period will be 3 years as long as it does not exceed the remaining duration of the ongoing project.

The lease term is reassessed if an option is actually exercised (or is not exercised) or the Group is obliged to exercise it (or not exercise it). The assessment of reasonable certainty is reviewed only if a significant event or change in circumstances occurs that affects this assessment and is within the control of the tenant, with force majeure events being considered as likely to occur.

2.9. Borrowing costs

The borrowing costs incurred in the construction of any qualifying asset are capitalised during the period of time necessary to prepare the asset for its intended use. Other borrowing costs are recognised in the income statement in the year in which they are incurred.

2.10. Impairment losses on non-financial assets

Assets with an indefinite useful life are not subject to depreciation or amortisation but rather are tested annually for impairment. At each year-end, the Group reviews the assets subject to amortisation to verify if there is any event or change in circumstances that indicates that the carrying amount may not be recoverable.

An impairment loss is recognised when the carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. Impairment losses on goodwill may not be reversed. For the purpose of assessing impairment, assets are grouped together at the lowest levels for which there are separately identifiable cash flows, i.e., in CGUs. Impairment losses are recognised in the income statement.

Previous impairment losses on non-financial assets, other than goodwill, are reviewed for possible reversal at each reporting date.

2.11. Financial assets

a) Classification

Financial assets are classified depending on the measurement category that is determined on the basis of the business model and the contractual cash flow characteristics, and the Group only reclassifies investments in debt instruments when, and only when, there is a change in its business model for managing these assets.

The Group classifies its financial assets into the following categories, financial assets at fair value through profit or loss, financial assets at fair value through other comprehensive income, and financial assets at amortised cost.

b) Measurement

Acquisitions or disposals of investments are recognised on the trade date, i.e., the date on which the Group undertakes to acquire or sell the asset. Investments are recognised initially at fair value plus the transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets at fair value through profit or loss are initially recognised at fair value and transaction costs are taken to the income statement. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all the risks and rewards arising from the related ownership.

Interest income on financial assets at fair value through profit or loss is recognised as other income in the income statement when the Group's right to receive payment is established.

The gains and losses on assets measured at fair value are recognised in profit or loss or in other comprehensive income. With regard to investments in equity instruments that are not held for trading, the Group has made an irrevocable election at initial recognition to recognise all equity investments at fair value through other comprehensive income.

c) Financial assets at amortised cost

Investments in debt instruments that are held for the collection of contractual cash flows, when those cash flows represent only payments of principal and interest, are measured at amortised cost. They are included in current assets, except for maturities exceeding 12 months from the balance sheet date when they are classified as non-current assets, unless they are within the Group's normal operating cycle.

In addition, deposits and guarantees provided to third parties are included in this category. Those assets are subsequently recognised at their amortised cost in accordance with the effective interest rate method. Accounts receivable that do not explicitly accrue interest are measured at their nominal value when the effect of not discounting the cash flows is not significant. They are still subsequently measured, where applicable, at their nominal value.

d) Financial assets at fair value through other comprehensive income

The assets held for the collection of contractual cash flows and for the sale of financial assets, in which the cash flows of the assets represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Changes in the carrying amount are recognised through other comprehensive income, except for the recognition of impairment losses or gains, interest income, and exchange gains or losses that are recognised in profit or loss. Unrealised gains and losses that arise from changes in fair value are recognised in other comprehensive income. When these financial assets are derecognised, the cumulative adjustments in fair value recognised in equity are included in the consolidated income statement as gains or losses.

The fair value of listed investments is based on the current purchase price. If the market for a financial asset is in active (and for unlisted securities), the Group establishes its fair value using valuation techniques that include the use of recent arm's length market transactions between willing and duly informed parties, references to other instruments that are substantially the same and the discounted cash flows analysis. If none of the techniques mentioned can be used to estimate fair value, the investments are recognised at acquisition cost less any impairment losses.

In the case of equity instruments included in this category, Group management has elected to present the gains and losses in the fair value of equity instruments in other comprehensive income. Gains and losses in fair value are not subsequently reclassified to profit or loss after the disposal of the investment. Impairment losses (and reversals of impairment losses) on equity instruments measured at fair value through other comprehensive income are not reported separately from other changes in fair value.

The dividends from these investments continue to be recognised in profit or loss when the Group has the right to receive payment.

e) Financial assets at fair value through profit or loss

Those assets that do not meet the requirements to be recognised at amortised cost or at fair value through other comprehensive income are measured at fair value through profit or loss. Realised and unrealised gains and losses arising from changes in fair value of financial assets at fair value through profit or loss are included in the income statement in the year in which they arise.

f) Impairment

The impairment model requires provisions for impairment to be recognised based on the expected loss model rather than only the incurred credit losses.

With regard to its client accounts, accounts receivable and other assets, which relate mainly to clients of recognised solvency with which it has extensive experience, the Group applies the simplified approach, recognising the expected credit losses for the entire life of the assets.

With regard to trade receivables and contract assets, provided there is no significant financial component, the Group applies the simplified approach, which requires the allocation of a loss based on the expected loss model throughout the entire life of the asset at each reporting date. The Group's model considers internal information, such as client balances, external factors such as credit assessments of clients and ratings from risk agencies, as well as the specific circumstances of clients, taking into consideration the information available on past events, current conditions and forward-looking elements.

g) Offsetting of financial instruments

Financial assets and liabilities are offset and presented as net in the consolidated balance sheet when there is a legally enforceable right to offset the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The legally enforceable right must not be contingent upon future events and must be enforceable in the normal course of business and in the event of the breach, insolvency or bankruptcy of the company or the counterparty.

2.12. Inventories

The 'Inventories' heading includes the cost of parking spaces available for sale.

The parking spaces available for sale are initially measured at acquisition cost and subsequently at the lower of cost and net realisable value.

2.13. Cash and cash equivalents

Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less.

The following terms are used in the consolidated statement of cash flows, which was prepared using the indirect method:

- Cash flows: inflows and outflows of cash and cash equivalents (Note 15).

- Operating activities: payments and collections from the Group's ordinary activities and other activities that are not investing or financing activities.

- Investing activities: payments and collections that arise from acquisitions and disposals of non-current assets.

- Financing activities: activities that result in changes in the size and composition of equity and borrowings of the Group that are not operating activities.

2.14. Share capital

The share capital is represented in full by ordinary shares classified as equity.

The incremental costs directly attributable to the issue of new shares are recognised in equity as a deduction, net of the corresponding tax effect, from the income obtained.

When any Group company acquires shares of the Parent (treasury shares), the consideration paid, including any directly attributable incremental cost (net of income tax), is deducted from the equity attributable to the shareholders of the Parent until their redemption, re-issue or disposal. When these shares are sold or are later re-issued, any proceeds received, net of any directly attributable incremental cost of the transaction and the corresponding income tax effects, are included in the equity attributable to the shareholders of the Parent.

2.15. Grants

Grants from Public Administrations are recognised at fair value when there is reasonable assurance that the grant will be received and the Group will comply with all conditions established.

Government grants related to costs are deferred and are recognised in the income statement over the period required to match them with the costs that they are intended to cover.

Government grants related to the acquisition of property, plant and equipment are included under non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

The grants received for research and development projects are transferred to the income statement in accordance with the criteria for recognising research and development expenditure in the income statement.

2.16. Financial liabilities

a) Financial liabilities at amortised cost (Borrowings)

Borrowings are initially recognised at fair value, net of any transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the term of the borrowings using the effective interest method. The fees paid on the arrangement of loans are recognised as transaction costs for the loan to the extent that it is probable that a portion or all of the loan will be used. In these cases, the fees are deferred until the line of credit is used. If there is no evidence that all or a portion of the line of credit will likely be used, the fee is capitalised as an advance payment for liquidity services and is amortised over the period during which the line of credit is available.

Borrowings are removed from the consolidated balance sheet when the obligations specified in the contract are discharged or cancelled or expire. The difference between the carrying amount of a financial liability that has been cancelled or transferred to another party and the consideration paid, including any transferred assets other than the cash or liabilities assumed, is recognised in profit or loss for the year as other financial income or expenses.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date.

b) Financial liabilities at fair value through profit or loss

These are liabilities acquired for the purpose of being sold in the near term. Derivatives are classified in this category unless they are designated as hedging instruments (see Note 2.20). These financial liabilities are recognised, both initially and subsequently, at their fair value, and the changes that arise therein are recognised in the consolidated income statement for the year.

2.17. Current and deferred taxes

The income tax expense for the year comprises current and deferred taxes. Taxes are recognised in the income statement, unless the tax relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current tax expense is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where its subsidiaries and associates operate and generate taxable profit. Management periodically evaluates the positions taken in tax returns with regard to situations in which applicable tax legislation is subject to interpretation, and, if necessary, establishes provisions based on the amounts expected to be paid to the tax authorities.

Deferred taxes are calculated, in accordance with the balance sheet liability method, based on the temporary differences that arise between the tax bases of the assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred taxes are not recognised if they arise from the initial recognition of a liability or asset in a transaction other than a business combination, which at the time of the transaction affects neither accounting profit (loss) nor taxable profit (tax loss). Deferred taxes are determined by using the tax rates that have been enacted or substantially enacted by the balance sheet date and that are expected to be applied when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is considered probable that future taxable profit will be available against which the temporary differences can be offset.

Deferred taxes are recognised based on temporary differences that arise in investments in subsidiaries, associates and joint ventures, except for those cases in which the Group is able to control the date on which the temporary differences are reversed and it is likely that they will not be reversed in the foreseeable future.

Deferred tax assets and deferred tax liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes assets and deferred taxes liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities that intend to settle the future tax assets and tax liabilities on a net basis.

2.18. Employee benefits

a) Termination benefits

Termination benefits are paid to employees as a result of the Group's decision to terminate their employment contract before the normal retirement date or when the employee agrees to accept voluntary redundancy in exchange for those benefits. The Group recognises these benefits when it is demonstrably committed to terminate the employment of current employees in accordance with a detailed formal plan that cannot be withdrawn, or to provide termination benefits as a result of an offer made to encourage voluntary termination. Termination benefits that will not be paid within 12 months of the reporting date are discounted to their present value (see Note 24).

b) Bonus plans

The Group recognises a provision when it is contractually required to do so.

2.19. Provisions

The Group recognises provisions when it has a present obligation (legal or constructive) as a result of past events, where an outlay of resources will likely be needed to settle the obligation and when the amount can be reliably estimated. No provisions are recognised for future operating losses, although provisions are recognised for engineering contracts expected to generate losses (see Note 2.21).

Provisions are recognised at the best estimate of the liability to be settled by the Group, taking into account the direct and indirect costs of each project and the effects of exchange rate fluctuations, for those amounts denominated in foreign currency, the present value of the disbursements, if the effect is significant, that are expected to be required to settle the obligation using a pre-tax rate that reflects the current market assessment of the time of value of money and the specific risks of the obligation.

2.20. Revenue recognition

Revenue includes the fair value of the considerations received or to be received for the sale of goods and services in the ordinary course of the Group's business activities. Revenue is presented net of value added tax, and after having excluded sales within the Group. The Group recognises revenue when the amount thereof can be reliably measured, when it is highly likely that the future economic benefits will flow to the Group and when the specific criteria for each of the activities are met, as detailed below. The amount of revenue cannot be reliably determined until all contingencies related to the sale have been resolved. The Group bases its estimates on past results, taking into account the type of client, type of transaction and specific terms of each agreement.

In relation to inventories (parking spaces), the Group recognises sales and profit or loss when ownership is transferred to the buyer.

a) Service agreements

Revenue from the rendering of services under service agreements is recognised in the financial year in which the services are provided by reference to the stage of completion of the actual service provided. The price payable by the end client consists of the direct costs incurred, to which a fixed margin is applied for indirect costs and industrial profit.

b) Turnkey engineering contracts

When the residual outcome of a contract cannot be reliably estimated, contract revenue is only recognised to the extent of the contract costs incurred that are likely to be recoverable.

When the outcome of a contract can be reliably estimated and it is probable that the contract will be profitable, contract revenue is recognised over the term of the contract. The method for recognising revenue for turnkey engineering contracts varies depending on the estimated outcome of the contract. When it is probable that contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense. However, profit is recognised over the term of the contract and based on the stage of completion of the project.

The Group uses the percentage of completion method to calculate the amount to be recognised in a given accounting period. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated tasks and costs for each contract.

In assessing the tasks effectively carried out at the balance sheet date, the different phases of engineering, procurement and construction are taken into account for each project. For engineering, the working hours actually incurred by each engineer on the project to date are considered; for procurement, on the basis of the progress of the costs incurred up to the delivery of materials and equipment; and for construction, a periodic physical measurement of the progress of the work is made, all at cost value. The calculation of the progress of the project is made by taking into account all costs incurred in accordance with the above criterion out of the total project costs and the revenue associated with the progress is recognised. This measurement method is aligned with the way in which the projects are managed and monitored and provides the best representation of the transfer of goods and services. The risk of contract termination is remote based on the Group's history.

The Group recognises an account receivable for the gross amount owed by clients for work performed under all contracts in progress for which the costs incurred plus the recognised profits (less recognised losses) exceed the amount of progress billings. Progress billings outstanding and withholdings are included in trade and other receivables.

The Group recognises a liability for the gross amount owed to clients for work performed under all contracts in progress for which the progress billings exceed the costs incurred plus the recognised profits (less recognised losses).

In turnkey projects awarded by the Group, there is normally a high degree of interaction and correlation between the various phases of engineering, procurement and construction, which tend to overlap, so that, regardless of the contractual form, which can sometimes be executed through several contracts in relation to the tasks performed in different countries, there is a single performance obligation. That is, regardless of whether there are many tasks to be performed, they are considered jointly as a single obligation, since they are considered in the context of the contract.

As a residual effect, a single contract may have clearly differentiated parts with different budgets signed with the same client. In these types of agreements, the client benefits from each part of the contract, while the Group has different performance obligations. If the income and costs of the different parts can be clearly identified, each part is treated separately.

Given the nature of the business activity, contracts are often modified while in progress due to changes in the scope of the work that needs to be carried out under the terms of the contract. A change may lead to an increase or a decrease in contract revenue. Changes are recognised as increases in the value of the contract when the client approves the change in scope and the resulting price increase. If the scope of the work has been approved but its valuation is outstanding, the revenue to be recognised will be estimated, provided the revenue is highly likely not to undergo a significant reversal in the future.

Likewise, claims may arise in the performance of the contracts that the Group seeks to collect from the client or another party as reimbursement for costs not included in the contract price. The grounds for such claims are related to and supported by the clauses of the contract or situations of force majeure. Claims are recognised as a variable consideration. They are included as revenue using either the expected value method or the most likely amount method (in each case, using whichever method is better at predicting the amount that the entity expects to be entitled to receive) and provided that it is highly probable that there will not be a significant future reversal of the amount of revenue recognised when the uncertainties associated with those claims are subsequently resolved. When evaluating the probability of a claim being successful, in addition to the technical analysis of each case, past experience in situations that are similar either because of their nature or the counterparty involved are also analysed, as well as the communications with the client in relation to the case.

As result of the types of projects in the portfolio, negotiations with clients regarding claims may go on during the entire life of the project.

In implementing its projects, the Group signs sub-contracts with companies that carry out the physical construction of the plants. The value of the sub-contracts is adjusted based on the scope established contractually. Where the reduction in scope results in inadequate execution and entails additional costs for the Group, the Group passes this excess cost on to the subcontractors based on its contractual rights.

c) Concession arrangements

Revenue from concession-related activities is recognised based on the services rendered at the contractually agreed prices.

d) Dividend income

Dividend income is recognised when the right to receive payment is established.

e) Interest income

Interest income is recognised using the effective interest method.

2.21. Derivative financial instruments and hedging transactions

The Group uses the general hedging model of IFRS 9. This requires the Group to ensure that the hedge accounting relationships are in line with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assess the effectiveness of the hedge.

The Group's risk management strategies and documentation of hedges are in line with the requirements of IFRS 9 and these relationships are treated as continuous hedges.

Derivative financial instruments are initially recognised at fair value on the date on which the contract is signed and are subsequently adjusted to their fair value at each balance sheet date. The recognition of the gain or loss resulting from the changes in fair value in each period depends on whether the derivative is designated as a hedging instrument and, if so, the nature of the item being hedged.

The effective portion of changes in the fair value of the derivatives designated and qualifying as cash flow hedges is recognised under other comprehensive income. The gain or loss corresponding to the ineffective portion is recognised immediately in financial profit or loss in the income statement.

The cumulative balance under 'Other consolidated comprehensive gains or losses' is transferred to the consolidated income statement in the year in which the hedged item affects profit or losses.

When a hedging instrument expires or is sold, or when a hedging transaction no longer meets the requirements to qualify for hedge accounting, any cumulative gains or losses recognised under equity until then will remain in equity and are recognised in the income statement when the expected transaction final takes place. However, if it is no longer probable that this transaction will take place, any cumulative gains or losses recognised under 'Other consolidated comprehensive gains or losses' are immediately transferred to the consolidated income statement.

The Group designates certain derivatives as hedges of a specific risk associated with a recognised asset or liability or a highly probable forecast transaction that may affect profit/loss for the year (cash flow hedge).

a) Derivatives that do not qualify for hedge accounting

For derivative financial instruments not designated as hedging instruments or that do not qualify to be designated as such, any changes in fair value at each measurement date are recognised as finance income or costs in the consolidated income statement. Financial assets and liabilities at fair value through profit or loss are considered to be included in this category.

2.22. Leases

Leases of property, plant and equipment with a term of more than one year and a significant value are recognised as rights of use over leased assets and the corresponding liability is recognised on the date on which the leased asset is available for use by the Group. (see Note 2.8)

2.23. Distribution of dividends

Dividend pay-outs to shareholders of the Parent are recognised as a liability in the Group's consolidated financial statements in the year in which the dividends are approved by the Company's shareholders.

2.24. Environmental disclosures

An environmental activity is considered to be any activity whose main purpose is to prevent, reduce or repair environmental damage.

Expenses incurred in protecting and improving the environment are charged to profit or loss in the year in which they are incurred, regardless of when the resulting monetary or financial flow arises.

Provisions for probable or certain third-party liability, litigation in process and outstanding environmental indemnity payments or obligations of undetermined amount not covered by the insurance policies taken out are recorded when the liability or obligation giving rise to the indemnity or payment arises.

In view of the business activities of the Group's companies, the Group has no assets or provisions for environmental contingencies that could be material with respect to its equity, financial position and earnings.

2.25. Earnings per share

a) Basic earnings per share

Basic earnings per share are calculated by dividing:

- The profit attributable to the Company's owners, excluding any cost of equity services other than ordinary shares.

- By the weighted average number of ordinary shares outstanding during the year, adjusted for any incentives in ordinary shares issued during the year and excluding treasury shares.

b) Diluted earnings per share

For diluted earnings per share, the figures used to determine basic earnings per share are adjusted to take into account:

- The effect after income tax of interest and other finance costs associated with the dilutive potential ordinary shares, and
- The weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.26. Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination, with limited exceptions, are initially measured at their fair values at their acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition basis at fair value or for the proportional stake of the non-controlling interest of the net identifiable assets of the acquired entity.

The costs related to the acquisition are recognised as expenses when they are incurred.

The excess of:

- the consideration paid;
- the amount of any non-controlling interest in the acquired entity, and
- the fair value at the date of acquisition of any prior ownership interest in the acquired entity,

out of the fair value of the net identifiable assets acquired is recognised as goodwill. If these amounts are lower than the fair value of the identifiable net assets of the subsidiary acquired, the difference is recognised directly under profit or losses as a purchase under highly advantageous terms.

3. Financial and environmental risk management

3.1. Financial risk factors

The Group's activities are exposed to a variety of financial risks: market risk (including price risk, foreign currency risk and risk from cash flows due to interest rates), credit risk and liquidity risk. The Group's global risk management programme focuses on the uncertainty of the financial markets and aims to minimise the potential adverse effects on the Group's financial returns. The Group uses derivative financial instruments to hedge certain risk exposure.

Risk management is carried out by the Group's Finance Department, Business Units and Corporate Treasury Department in accordance with policies approved by the Parent's Board of Directors and supervised by the Audit and Control Committee. This Department identifies, assesses and hedges financial risks in close cooperation with the Group's operating units.

3.1.1. Market risk

a) Foreign currency risk

The Group operates in the international market and, therefore, is exposed to foreign currency risk on the transactions it performs in foreign currencies, particularly the US dollar (USD) and, to a lesser extent, currencies tied to the USD. There is residual exposure to suppliers operating in other currencies (mainly yen, Canadian dollars, Saudi rials, Turkish lire, Malaysian ringgits, Peruvian soles, Singaporean dollars and Kuwaiti dinars). Foreign currency risk arises mainly from future commercial transactions and recognised assets and liabilities.

In accordance with the hedging policy established, the Group companies use forward contracts, negotiated by the Group's Corporate Treasury Department, to hedge the foreign currency risk arising from future commercial transactions and recognised assets and liabilities. Foreign currency risk arises when the future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Group's presentation currency. The Group's Treasury Department is responsible for managing the net position in each foreign currency using external foreign currency forward contracts (also taking into account the risks arising from currencies tied to the USD, where the hedge arranged protects the USD risk). In addition, the Group tries to hedge foreign currency risk via 'multicurrency' contracts with its clients, segregating the sale price in the various currencies from the foreseen expenses and preserving the projected margins in euros.

The Group's risk management policy is based on hedging the most highly probable forecast transactions in each of the main currencies during the months the project is scheduled to be completed. For each new project contracted with foreign currency risk, the percentage of risk to be hedged in relation to projected sales in each of the main currencies varies by project. These hedges are classified as highly probable forecast transactions for hedge accounting purposes.

The nature of the Group's business operations means that it is very common to contract transactions with clients in US dollars, while the corresponding costs are usually denominated in multiple currencies, albeit mainly USD and EUR. If at 31 December 2021 the euro had depreciated / appreciated against the US dollar by a hypothetical 10%, leaving all other variables constant, consolidated profit before tax for the year would have been EUR 36,429 thousand higher / lower (2020: EUR 20,924 thousand), mainly due to the gains / losses generated on the appreciation / depreciation of positions in US dollars.

Regarding equity, if the euro had appreciated / depreciated against the US dollar by a hypothetical 10%, it would have been EUR 40,508 thousand higher / lower in the year ended 31 December 2021 (2020: EUR 75,437 thousand higher / lower); these amounts were calculated based on the changes in earnings outlined in the paragraph above, in addition to the estimated changes in value of the hedging derivatives recognised under equity hedge reserves (all before considering the related tax effect).

This effect would occur as long as the variation in the USD compared to the EUR took place within a period of less than 174 days (2020: 144 days), since that is the average maturity at which the hedging transactions are contracted.

Accordingly, the Group has various investments in foreign operations, the net assets of which are exposed to foreign currency risk. In general, the Group's policy is to finance its foreign operations with borrowings denominated in the functional currency of that country, so that the risk only affects the portion corresponding to the equity investment. The table below shows the balances of the principal exposures in foreign currency as a result of equity investments in foreign operations:

	2021	2020
Saudi Riyal	70,333	71,353
Turkish Lira	25,436	53,479
Peruvian Sol	105,089	126,097

b) Price risk

The Group is exposed to commodity price risk, basically tied to metals and oil, to the extent that they affect the price of the equipment supplied and materials used in the construction projects. As a general rule, all peer contractors operating in the sector effectively pass on these impacts in sales prices. The Group reduces and mitigates price risk through the policies established by management, which basically consist of accelerating or slowing the rate of placements and selecting the currencies and countries of origin. An additional mechanism used by the Group to mitigate this risk consists of using contracting models that allow a portion of the price to be allocated to cover possible cost deviations, and of purchasing derivatives.

c) Interest rate risk in cash flows

The Group endeavours to self-finance its projects, establishing invoicing and collection milestones with clients that cover the payment deadlines undertaken with suppliers. However, the Group has debt instruments to cover its operating needs, with a combination of fixed and variable rates. In the current situation where the EURIBOR is negative, the variable interest rates established in the credit lines are considered the best policy to minimise the impact of interest rate risk. As part of the policy of prudence and control of interest rate risk and the impact that the change in interest rate risk may have on the consolidated income statement, there are fixed rate debt instruments amounting to EUR 348,755 thousand (2020: EUR 296,826 thousand).

The exposure to variable interest rate risk at each balance sheet date is the following:

	2021			2020		
	Tied to Euribor	**Other reference rates**	**Total**	**Tied to Euribor**	**Other reference rates**	**Total**
Variable rate borrowings	(394,130)	-	(394,130)	(394,105)	(45,224)	(439,329)
Interest-earning cash and cash equivalents	157,299	509,580	666,879	183,949	747,586	931,535
	(236,831)	**509,580**	**272,749**	**(210,156)**	**702,362**	**492,206**

Based on the sensitivity analyses performed on cash and cash equivalents accruing interest, the impact on the consolidated earnings of a 25 basis point fluctuation in interest rates would imply an increase/decrease of EUR 1,274 thousand at 31 December 2021 (2020: EUR 1,869 thousand).

In the case of financial debt at variable interest rates, an upward/downward change by 10 basis points of the interest rate would have an impact on the consolidated result of a decrease/increase of EUR 406 thousand. (2020: EUR 4.5/438 thousand).

3.1.2. Credit risk

Credit risk is managed by the Group taking into account the following groups of financial assets:

- Assets arising from derivative financial instruments (see Note 10) and sundry balances, including cash and cash equivalents (see Note 14).

- Balances related to trade and other receivables (see Note 11).

Derivative financial instruments and transactions with financial institutions included as cash and cash equivalents are arranged or carried out with financial institutions of renowned prestige.

In relation to trade and other receivables, it is worth mentioning that, due to the nature of the business, there is a high concentration based on the Group's most significant projects. These counterparties are generally state-owned or multinational oil companies. At 31 December 2021, 83.62% of the total 'Trade receivables' account (included in trade and other receivables) was concentrated in 10 clients (2020: 87.22%), and they relate to transactions with the type of entities mentioned above, with which the Group considers that the credit risk is very limited.

The variables and assumptions and estimation techniques used to measure expected credit losses include the risk or probability of a credit loss occurring based on the likelihood of the credit loss occurring and the likelihood of it not occurring, even if the likelihood is very low. The expected loss (EL) is the weighted average credit loss with the respective risks of a default occurring.

The maximum period considered to assess expected credit losses is the maximum contractual period (including extension options) during which there is exposure to credit risk.

The Group adopts a credit risk impairment model based on the expected loss over the life of the asset under the simplified approach as it has trade receivables without a significant financing component, most of which correspond to clients of recognised solvency with whom it has extensive experience, for whom 98% of the Group's activity is carried out and with whom any problems that might arise would be exceptional.

The Group assesses whether the credit risk has increased significantly since the initial recognition. To carry out this assessment, it compares the risk of default of the financial instrument on the reporting date with the risk of default on the date of initial recognition and considers reasonable and substantiated information that is available without disproportionate costs or efforts and that is indicative of significant increases in credit risk since the initial recognition.

Lastly, objective evidence of impairment was analysed, taking into account both quantitative information (e.g. drop in credit rating, very significant increases in credit Default Swap prices, etc.) and qualitative information (e.g. declaration of insolvency, etc.)

A large part of the credit risk is mitigated by the ad-hoc financing that clients linked to the implementation of the projects have, which constitutes a double guarantee of collection.

Trade receivables are generally not secured by collateral or subject to other credit enhancements, except when warranted by specific circumstances.

3.1.3. Liquidity risk

Prudent management of liquidity risk entails the maintenance of sufficient cash and marketable securities, availability of financing through a sufficient amount of committed debt instruments or similar and the capacity to settle market positions.

The trend in client contracts, which include tighter cash flows, has led the Group to optimise its financing strategy.

Management monitors the Group’s projected liquidity reserve on the basis of expected cash flows. In addition, the Group has debt instruments that provide additional support to its liquidity position, as well as receiving EUR 340 million from the ‘Fund for Supporting the Solvency of Strategic Companies’ paid out on 24 February 2022. This aid has taken the form of a participating loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million. Both loans have a term of four and a half years with the possibility of early repayment, although the ordinary loan has a 1-year deferral period. During the term of these loans, the Group has the obligation not to distribute dividends.

Therefore, the Group’s liquidity risk is considered to be appropriately managed.

The table below provides a breakdown of the significant liquidity information:

	2021	2020
Borrowings (Note 20)*	(742,885)	(736,155)
Cash and cash equivalents (Note 14)	666,879	931,535
Net cash position	(76,006)	195,380
Undrawn credit lines**	118,381	226,199
Total liquidity reserves	**42,375**	**421,579**

*This amount does not include borrowings associated with rights of use of leased assets.

** This amount does not include the unused amount of the limits in the MARF (bonds and promissory notes) amounting to EUR 141 million and EUR 178 million in 2021 and 2020, respectively.

The liquidity situation is shown below, taking into account the payment of 340 million from the Fund for Supporting the Solvency of Strategic Companies received on 24 February 2022.

	2021	2021 with SEPI
Borrowings (Note 20)*	(742,885)	(907,885)
Cash and cash equivalents (Note 14)	666,879	1,006,879
Net cash position	(76,006)	98,994
Undrawn credit lines	118,381	118,381
Total liquidity reserves	**42,375**	**217,375**

* Only the ordinary loan is considered under financial borrowings.

The two signed syndicated credit lines, as well as the private placement, the placement on the German promissory note market, and the placement of MARF bonds on the market underwritten by TR in force at the date of preparation of these financial statements, the total provision of which amounts to EUR 496.6 million (2020: EUR 453.5 million), require, among other requirements, that the consolidated financial debt/EBITDA ratio be less than or equal to 2.5 (syndicated loans)/3 for other financial debt, described here.

In addition, the facilities of the two syndicated credit lines contain the following limitation on distributing profits for the years 2021-24: 30% of the consolidated net profit for the years 2021/2022, 40% of the consolidated net profit for 2023 and 50% of the consolidated net profit for 2024.

At the date of preparation of these annual financial statements, the financial entities participating in the two syndicated credit lines authorised the waiver of the Group's obligation to meet the financial ratio (Net financial debt/consolidated EBITDA must be less than or equal to 2.5) in 2021. Similarly, for the remainder of the financing, waivers have been obtained from the Group's obligations to meet the financial ratios during 2021.

For 2022, the Parent's directors consider that, at the date of preparation of these accounts, the Group is in a position to comply with the financial ratios included in the clauses of all its finance agreements.

The table below shows an analysis of the financial liabilities, grouped by maturities, in accordance with the remaining periods at the consolidated balance sheet date until the contractual maturity date. The amounts shown in the table correspond to the balances resulting from applying the amortised cost method (carrying amounts), which basically coincide with the undiscounted expected cash flows. The balances payable within 12 months are equivalent to their carrying amounts, given that the discount effect is not significant.

	Within one year	From 1 to 2 years	From 3 to 5 years	More than 5 years
At 31 December 2021				
Borrowings (Note 20)	267,352	136,410	273,568	89,908

Borrowings associated with rights of use of leased assets (Note 8)	13,089	28,332	-	-
Derivative financial instruments (Note 10)	18,868	2	-	-
Trade and other payables (Note 19)	2,793,234	-	-	-
Total	**3,092,543**	**164,744**	**273,568**	**89,908**
At 31 December 2020				
Borrowings (Note 20)	363,979	202,488	109,695	59,993
Borrowings associated with rights of use of leased assets (Note 8)	16,534	5,704	-	-
Derivative financial instruments (Note 10)	5,875	-	-	-
Trade and other payables (Note 19)	2,695,659	-	-	-
Total	**3,082,047**	**208,192**	**109,695**	**59,993**

3.2. Capital risk management

The Group's objectives in relation to managing capital are based on guaranteeing its commercial activity, offering our clients and potential clients sufficient capital to guarantee our ability to handle their projects.

The Group monitors capital on the basis of the leverage ratios set out below. The leverage ratio is calculated dividing debt by equity. Debt is calculated as total borrowings. Equity is the amount shown in the consolidated financial statements. Likewise, the index is calculated that determines the ratio between the net cash position and equity.

	2021	**2020**
Borrowings (Note 20)	(742,885)	(736,155)
Net cash position	(76,006)	195,380
Equity	104,658	283,593
% Borrowings / Equity	709.82%	259.58%
% Net cash position / Equity	-72.62%	68.89%

*This amount does not include borrowings associated with rights of use of leased assets.

The financial tensions experienced in 2021 as a result of the situations caused by COVID-19 led to the worsening of the financial ratios shown in the table above at 31 December 2021. In this situation, the Group has adopted various measures aimed at restoring its financial position to pre-COVID levels, such as applying for aid from the 'Fund for Supporting the Solvency of Strategic Companies', which was received on 24 February 2022, as well as efforts to increase the closure of client claims.

3.3. Fair value

The table below includes an analysis of the financial instruments, classified by valuation method, which are measured at fair value.

The various levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than prices quoted included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3). The following table presents the Group's assets and liabilities measured at fair value at 31 December 2021 and 2020.

At 31 December 2021	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				

Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives (Note 10)	-	13,561	-	13,561
Total assets	**-**	**13,825**	**-**	**13,826**
Liabilities				
Hedging derivatives (Note 10)	-	18,870	-	18,870
Total liabilities	**-**	**18,870**	**-**	**18,870**

At 31 December 2020	**Level 1**	**Level 2**	**Level 3**	**Total balance**
Assets				
Financial assets at fair value through other comprehensive income	-	264	-	264
Hedging derivatives (Note 10)	-	32,191	-	32,191
Total assets	**-**	**32,455**	**-**	**32,455**
Liabilities				
Hedging derivatives (Note 10)	-	5,875	-	5,875
Total liabilities	**-**	**5,875**	**-**	**5,875**

There were no transfers between levels 1 and 2 during the year.

a) Level 1 financial instruments

The fair value of the financial instruments traded in active markets is based on the market prices at the reporting date. A market is considered to be active if quoted prices are readily and regularly available from a stock exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for the financial assets held by the Group is the current bid price. These instruments are included in level 1.

b) Level 2 financial instruments

The fair value of financial instruments that are not listed on an active market (e.g. OTC derivatives) is determined using valuation techniques. These valuation techniques maximise the use of available observable data inputs and rely as little as possible on entity-specific estimates. If all the significant inputs required to calculate an instrument's fair value are observable, the instrument is included in level 2.

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of the interest rate swaps is calculated as the present value of the estimated future cash flows based on estimated interest rate curves.
- The current value of foreign currency futures is determined using the future exchange rates on the balance sheet date, discounted to their present value.
- Other techniques, such as discounted cash flow analysis, are used to determine the fair value of the remaining financial instruments.

There were no transfers between levels in 2021 or 2020.

With regard to financial instruments, credit risk must be included in measurements at fair value, whereby credit risk is understood to be the credit risk of the counterparty and the Group's own credit risk, where applicable.

Due to the nature of the Group's portfolio, the application of credit risk mainly affects the portfolio of financial derivatives designated as cash flow hedges, given that they are measured at fair value.

These instruments are unique in that the expected cash flows are not pre-determined; rather, they vary based on the underlying financial variable, so the determination of the credit risk to be applied, i.e., the Company's own credit risk or that of the counterparty, is not intuitive, but rather depends on market conditions at any given time and must therefore be quantified using measurement models.

The derivatives arranged by the Group relate mainly to currency futures and commodities futures.

Currency forwards consist of the purchase of one currency against the sale of a different currency in which the exchange rate is fixed on the date of the contract to be delivered or settled in the future, starting on the third business day after the contract date.

Commodity forwards consist of the future purchase or sale of a raw material in which the exchange rate is fixed on the date of the contract and that are to be delivered or settled in the future, starting on the third business day after the contract date.

The effect of credit risk on the value of currency and commodity forwards will depend on future settlements. If the settlement is favourable for the Group, a credit spread is incorporated for the counterparty to quantify the probability of default upon maturity; otherwise, if the settlement is expected to be negative for the Group, the credit risk is applied to the Group's final settlement. To determine whether or not the settlement of the forwards will be favourable for the Group, a stochastic model is used to simulate the derivative's behaviour in different scenarios using mathematical models that consider the volatility of the underlying asset and applying the resulting credit spread to each simulation.

3.4. Environmental risk management

For the Técnicas Reunidas Group, environmental management is a priority integrated into the Group's strategy that focuses on the environmental requirements of all its facilities and projects.

The Group develops products, systems and services with the aim of obtaining energy that is more affordable and reliable and that meets current environmental requirements. All projects must comply with climate change initiatives focused on reducing CO2 emissions and improving the waste management system, focusing on waste reduction from a circular economy perspective. To this end, Técnicas Reunidas has implemented methodologies that ensure the monitoring and verification of environmental information in 100% of its projects.

In this context, it is important to mention that environmental regulations affecting Técnicas Reunidas were approved in 2021, reinforcing the Spanish National Integrated Energy and Climate Plan (PNIEC). The Company is also subject to the Spanish Climate Change and Energy Transition Act 7/2021, of 20 May [Ley de cambio climático y transición energética] under which Spain is seeking to achieve neutrality in greenhouse gas emissions by 2050.

The Group is primarily exposed to transition risks, in particularly those that depend on regulatory developments that could have an impact on various clients. An increasingly demanding regulatory environment, which can translate into significant reputational risk at the corporate level.

In addition, the Group is also exposed to physical risks, particularly the geographic location of some clients, which are subject to extreme temperatures (for example, the Middle East, Russia or Canada), which can lead to changes in working conditions during the performance of projects.

On the other hand, in the area of climate change opportunities, the Group is well positioned, thanks to its leadership on climate change, the diversification of its activities and its adaptation to new trends. This enables the Group to benefit from the opportunities that will arise from increased regulatory pressure on environmental issues, as it has the technology and solutions to help its clients meet these growing environmental demands.

This diversification of activities focuses on working with clients to improve the environmental performance of their facilities: production of clean fuels, natural gas and chemical products, biomass and solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO2 sequestration and capture) and, therefore, the reduction of greenhouse gas emissions.

Greenhouse gas emissions:

The main sources of greenhouse gases associated with the Técnicas Reunidas Group's activity correspond to the consumption of fossil fuels in the Group's vehicle fleet and facilities (Scope 1), electricity consumption in these same facilities (Scope 2) and emissions from company travel (Scope 3).

In 2021, scope 1 emissions decreased by around 30% compared to 2020, as the Group continued with lower overall fuel consumption due to, among other factors, the slowdown or completion of some projects. In scope 2, there was an increase of 51% compared to 2020 due to the opening of some office buildings and the overall reduction of the telecommuting situation. In scope 3, there was an increase of 247% compared to 2020, due to the return to normality in terms of corporate travel and the company's strong commercial work during the year.

This year, within the framework of the Sustainability Plan, Técnicas Reunidas took on various environmental objectives, including implementing measures to promote energy efficiency, developing new projects related to the energy transition, establishing circular economy plans on site and in the office, and setting emission reduction targets of 30% for the period 2019-30 for scopes 1, 2 and 3 and carbon neutrality by 2040.

4. Accounting estimates and judgements

When preparing the consolidated financial statements in accordance with EU-IFRSs, Management must make estimates and assumptions that may affect the accounting policies adopted and the amount of assets, liabilities, income and expenses and the breakdowns related thereto. Estimates and assumptions are based, among other aspects, on historical experience or other events considered reasonable in view of the facts and circumstances analysed. The resulting accounting estimates may differ significantly from the corresponding outcomes in real life. The main estimates are the following:

4.1. Income tax and deferred tax assets

The Group is subject to income tax in several jurisdictions. A significant degree of judgement is required to determine the provision for income tax at a global level. There are several transactions and calculations for which the final determination of the tax is uncertain. The Group recognises liabilities for potential tax claims based on the estimate of whether or not additional taxes will be necessary. If the final amount of taxes differs from what was initially recorded, any such differences will affect the income tax and the provisions for deferred taxes for the year in which said determination was made.

In this regard, the tax expense amounted to EUR 12,331 thousand in 2021 (6,901 in 2020) (see Note 26).

The Group also assesses the recoverability of deferred tax assets based on the existence of future taxable profit against which these assets may be utilised.

4.2. Useful lives of property, plant and equipment and intangible assets

Group Management determines the estimated useful lives and the related depreciation and amortisation charges for its property, plant and equipment and intangible assets. The useful lives of its non-current assets are estimated based on the period over which the assets will generate economic benefits.

At each reporting date, the Group reviews the useful lives of its assets and if the estimates differ from those previously made, the effect of the change is recognised prospectively as from the year in which the change is made. Historically, there were no material adjustments made in relation to the useful lives of the assets.

4.3. Accounts receivable

The Group makes estimates relating to the collectability of trade receivables for projects affected by ongoing disputes or litigation in progress as a result of not accepting the work carried out or failure to comply with contractual clauses related to the performance of the assets delivered to clients. In addition and in compliance with IFRS 9, the Group estimates impairment based on expected loss.

4.4. Provisions

Provisions are recognised when it is probable that a present obligation, resulting from past events, will require an outflow of resources and when the amount of the obligation may be reliably estimated. Significant estimates are required to fulfil the applicable accounting requirements. Group management makes estimates, evaluating all relevant information and events, the probability of a contingency occurring and the amount of the liability to be settled in the future.

4.5. Revenue recognition

The Group uses the percentage-of-completion method to recognise revenue. The percentage of completion is determined based on a financial assessment of the tasks effectively carried out as of the balance sheet date as a percentage of the total estimated costs for each contract. This revenue recognition method is applied only when the outcome of the contract can be reliably estimated and it is likely that the contract will generate profits. If the outcome of the contract cannot be reliably estimated, revenue is recognised to the extent that costs are recovered. When it is likely that the costs of the contract will exceed contract revenue, the loss is immediately recognised as an expense. When applying the percentage-of-completion method, the Group analyses various factors that may give rise to changes in the estimated costs of the projects with regard to that plant and, based on this analysis, makes significant estimates relating to the total costs necessary to perform the contract. These estimates are reviewed and assessed regularly in order to verify whether or not a loss has been generated and whether it is possible to continue applying the percentage-of-completion method or whether it is necessary to re-estimate the expected margin on the project. In the case of claims by the Group on clients or variations in the scope of projects, these are included as contract revenue when the Group considers an inflow of resources to be highly probable (see note 2.20).

4.6. Fair value of unlisted financial instruments

The fair value of those financial instruments that are not traded on an active market (e.g. OTC derivatives) is determined using valuation techniques. The Group exercises judgement in selecting a range of methods and making assumptions that are based mainly on prevailing market conditions at the reporting date. The Group used the discounted cash flow analysis for various exchange rate and commodity contracts that are not traded on an active market.

4.7. Warranty claims

The contracts with clients establish a warranty period of 12 to 24 months. The warranty period does not entail a separate service, but is related to the proper functioning of the plant. These are industry-specific warranties and include standard terms in accordance with the legal requirements of each country where the Group operates. Management estimates the relevant provision for future warranty claims based on past information regarding such claims, as well as recent trends that may suggest that past information regarding costs may differ from future claims. The Group also had similar warranties with its main subcontractors.

4.8. Impairment of concession assets

The estimated recoverable amount of the concessions operated by the Group was determined by evaluating the different external and internal circumstances that could give rise to indications of impairment, such as the market value of the asset, offers received for the assets, changes in business plans, changes in management or in the environment (legal, fiscal, economic, etc.), interest rate fluctuations, obsolescence or physical impairment.

In applying the accounting policies, different judgments have not been applied to the estimates detailed above.

5. Segment information

The Group classifies its operating segments as follows:

- Oil and Gas
- Power
- Other industries

Although the Group's core business is the provision of engineering and construction services, the above-mentioned segment reporting format is presented on the understanding that any risks and rewards that may arise from its business activities and the specialisation required to complete the projects in these segments, among other differentiating factors, make this segment distinction necessary to provide optimal insight into the business structure. This segmentation is based on information reviewed by the Board of Directors.

The oil and gas segment focuses on providing engineering, procurement and construction services relating to oil and chemicals processing and production operations, and activities relating to the entire natural gas production and extraction value chain, i.e. production, processing, storage and transport. Activities in the refining sector range from the construction of refineries to the revamping and expansion of existing refining plants. Units designed and built include basic refining plants, plant conversions and octane improvement projects. The Group also designs and builds auxiliary services and other refining units. Petrochemical activities include the design and construction of plants that produce and process monomers, polymers and plastics, chemical plants and fertiliser units. As regards natural gas, the Group mainly designs and builds units used in the extraction and preliminary processing of natural gas, prior to its use in subsequent processes or preparation for export. The Group is highly specialised in regasification and gas transport facilities.

In the power industry, the Group performs consulting, engineering, procurement and construction services for a range of electricity generating plants, such as conventional thermal plants, combined cycle power plants, gasification integrated with combined cycle, co-generators, solar plants, fuel cells, solid waste and biomass technology. The Group also supplies turnkey plants and occasionally performs plant operation and maintenance (O&M) services.

In the 'Other industries' segment, the Group carries out projects in multiple arenas, such as airports, industrial facilities, desalination and water treatment plants, and projects for public authorities and other bodies, such as car parks and municipal sports centres.

The overhead costs relating to the corporate headquarters and functional departments that do not earn revenue or that may earn revenue that is only incidental to the activities of the Group and that, in any case, cannot be allocated to any operating segment or be included as part of an operating segment, as indicated in IFRS 8.6, are classified as 'Unallocated'.

The operating segment analysis is based on an assessment of the segments' profit/loss from operations, adjusted for unallocated Group overheads. In addition, the Group manages financing activities and the effect of income tax. Consequently, finance income and costs and income tax, as well as borrowings and tax payables, have not been allocated by segment. Additionally, non-current assets are not allocated, nor is the relevant depreciation or impairment, as they are not considered to be significant.

No sales were made between the various operating segments in the years presented.

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 December 2021

	Oil and Gas		Power		Other industries		Unallocated		Group	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Tracking results										
Revenue	2,670,410	3,235,875	83,667	205,365	53,516	79,349	-	-	**2,807,593**	**3,520,589**
Profit/loss from operations	67,715	351,836	(130,140)	(213,967)	8,470	10,348	(102,689)	(106,753)	**(156,644)**	**41,464**
Net financial profit (loss) (Note 25)		-		-		-	(22,086)	(20,906)	**(22,086)**	**(20,906)**
Earnings from sales and share in profit/(loss) of associates		-		-		-	(1,072)	(675)	**(1,072)**	**(675)**
Profit/loss before tax									**(179,802)**	**19,883**
Income tax							(12,331)	(6,901)	**(12,331)**	**(6,901)**
Profit/loss for the year									**(192,133)**	**12,982**
Assets and liabilities by segment										
Assets	2,952,476	3,024,552	315,327	305,886	97,087	110,583	517,080	492,497	**3,881,970**	**3,933,518**
Associates	3,563	3,563	-	-	(2087)	(1,015)		-	**1,476**	**2,548**
Total assets	2,956,039	3,028,116	315,327	305,886	95,000	109,568	517,080	492,497	**3,883,446**	**3,936,067**
Total liabilities	2,474,021	2,479,298	242,345	217,189	41,233	54,934	1,021,189	901,053	**3,778,788**	**3,652,475**
Investments in non-current assets (Notes 6 and 7)	831	1494	54	5	182	1,042	1,908	1,505	**2,975**	**4,046**
Other segment information										
Depreciation of property, plant and equipment (Note 6)	-	-	-	-	-	-	(7,677)	(10,919)	**(7,677)**	**(10,919)**
Amortisation of intangible assets (Note 7)	-	-	-	-	-	-	(1,939)	(2,306)	**(1,939)**	**(2,306)**
Impairment of trade receivables (Note 11)	-	-	-	-	-	-	(8,077)	(1,791)	**(8,077)**	**(1,791)**

The losses in the Energy segment are due to impairment caused by a project performed in the UK that is strongly impacted by the COVID-19 situation (see Note 2.2).

Revenue from external clients is allocated based on the country in which the client is located. The breakdown is as follows:

	2021	**2020**
Spain	40,822	85,490
Middle East	2,120,406	2,681,084
America	285,535	283,557
Asia	224,983	388,586
Europe	(124,451)	15,249
Mediterranean	260,298	66,623
	2,807,593	**3,520,589**

Income from the Middle East relates mainly to operations in Saudi Arabia, Abu Dhabi, Kuwait, Bahrain and Oman; in America, income comes primarily from operations in Peru, Canada, Colombia and Chile; in Asia this income is from operations in Malaysia; in Europe the operations were focused primarily in Norway, the United Kingdom, Finland and Poland; and in the Mediterranean operations were focused basically on Turkey and Algeria, as well as other countries.

The reduction in revenues in Europe corresponds to the termination of the Teesside contract by the client and relates mainly to the amount of warranties called in, as well as the regularisation of outstanding change orders and claims. In this regard, the client decided to terminate the contract awarded in August 2016 to the consortium formed by Técnicas Reunidas, S.A and Samsung C&T for the design and construction of a 299-MW biomass cogeneration plant. The termination became effective on 11 May 2021, when the project was handed over to the client. The Group considers that the reasons given by the client for the termination of the contract fail to recognise, among other factors, the implications of Brexit and the Covid-19 situation. Accordingly, the Group has initiated legal action in accordance with the mechanism set out in the EPC Contract (see Note 28)

The revenue generated by the Group's top five clients accounted for 67% of total revenue in 2021 (2020:77%). Revenue generation by clients that individually accounted for over 10% of total consolidated revenue in 2020 amounted to EUR 2,047 million (2020: EUR 2,412 million).

All assets and liabilities allocated to the operating segments are measured using the same criteria as those described in Note 2. These assets and liabilities are allocated by region based on their physical location. The detail of the assets and investments in non-current assets is as follows:

	Assets		**Investments in property**	
	2021	**2020**	**2021**	**2020**
Spain	362,290	369,437	218	1,059
Middle East	2,467,278	2,538,666	571	1,442
America	255,071	275,601	88	22
Asia	152,790	223,186	101	18
Europe	220,088	164,206	3	-
Mediterranean	218,699	181,262	86	-
Total	**3,676,216**	**3,752,358**	**1,067**	**2,541**
Associates	1,476	2,548	-	-
Unallocated	205,754	181,160	1,908	1,505
	3,883,446	**3,936,067**	**2,975**	**4,046**

The reconciliation of the assets and liabilities of the reportable segments to total assets and liabilities is provided as follows:

	2021	2020		2021	2020
Segment assets	3,366,366	3,443,570	Segment liabilities	2,757,599	2,751,421
Unallocated:			Unallocated:		
Non-current assets	377,243	359,101	Non-current liabilities	512,697	398,921
Current assets	139,837	133,396	Current liabilities	508,491	502,132
Total assets	**3,883,446**	**3,936,067**	**Total liabilities**	**3,778,787**	**3,652,474**

6. Property, plant and equipment

The detail of 'Property, plant and equipment' and of the changes to it is as follows:

Cost	**Land and buildings**	**Plant and machinery**	**Furniture and equipment**	**Property, plant and equipment in the course of construction**	**Other items of property, plant and equipment**	**Total**
Balances at 1 January 2020	**15,835**	**74,148**	**66,850**	**2,581**	**7,485**	**166,899**
Increases	-	942	2,678	-	314	3,934
Reductions	(1,411)	(6,378)	(1,135)	-	(371)	(9,295)
Additions to the scope of consolidation	(745)	(8,942)	(5,898)	(44)	(971)	(16,600)
Translation differences	(121)	(741)	(3,507)	-	(501)	(4,870)
Balances at 31 December 2020	**13,558**	**59,029**	**58,988**	**2,537**	**5,956**	**140,068**
Increases	3	362	1,985	-	29	2,379
Reductions	(252)	(33,859)	(30,502)	-	(1,240)	(65,853)
Reclassifications	-	173	(173)	-	-	-
Removal from the scope of consolidation	-	(2)	(27)	-	-	(29)
Translation differences	(35)	36	1,150	-	145	1,296
Balances at 31 December 2021	**13,274**	**25,739**	**31,421**	**2,537**	**4,890**	**77,861**

Accumulated depreciation and impairment losses	**Land and buildings**	**Plant and machinery**	**Furniture and equipment**	**Property, plant and equipment in the course of construction**	**Other items of property, plant and equipment**	**Total**
Balances at 1 January 2020	**2,266**	**65,820**	**40,179**	**2,537**	**4,471**	**115,273**
Increases	120	1,490	8,127	-	1,182	10,919
Reductions	(641)	(1,719)	(973)	-	(307)	(3,640)
Additions to the scope of consolidation	(172)	(6,435)	(4,925)	-	(538)	(12,070)
Translation differences	(70)	(413)	(3,036)	-	(739)	(4,258)
Balances at 31 December 2020	**1,503**	**58,743**	**39,372**	**2,537**	**4,069**	**106,224**
Increases	363	1,548	5,124	-	642	7,677
Reductions	(207)	(29,198)	(30,425)	-	(1,074)	(60,904)
Reclassifications	-	(10,465)	11,409		(944)	-
Removal from the scope of consolidation	-	(2)	(27)	-	-	(29)
Translation differences	(50)	24	932	-	133	1,039
Balances at 31 December 2021	**1,609**	**20,650**	**26,385**	**2,537**	**2,826**	**54,007**
Net balance at 1 January 2020	**13,569**	**8,328**	**26,671**	**44**	**3,014**	**51,626**
Net balance at 01 December 2020	**12,055**	**286**	**19,616**	**-**	**1,887**	**33,844**
Net balance at 01 December 2021	**11,665**	**5,089**	**5,036**	**-**	**2,064**	**23,854**

'Land and buildings' includes office buildings that are owned by certain Group companies.

The decreases in 'Plant and machinery' and 'Furniture and equipment' relate mainly to items derecognised as a result of the transfer of offices in Madrid. Most of these items were fully depreciated.

At 31 December 2021, the Group had foreign investments in property, plant and equipment for a cost of EUR 31,680 thousand (2020: EUR 53,634 thousand), and cumulative depreciation in the amount of EUR 28,117 thousand (2020: EUR 48,675 thousand).

The Group takes out all of the insurance policies it considers necessary to cover the risks that might affect its property, plant and equipment.

7. Goodwill and other intangible assets

The detail of 'Intangible assets' and of the changes therein is as follows:

	Administrative concessions	Computer software and other intangible assets	Subtotal	Goodwill	Total
Balances at 1 January 2020	**74,361**	**20,759**	**95,120**	**1,242**	**96,362**
Increases	-	113	113	-	113
Reductions	-	-	-	(1,242)	(1,242)
Transfers	-	(2,201)	(2,201)	-	(2,201)
Translation differences	-	(64)	(64)	-	(64)
Balances at 31 December 2020	**74,361**	**18,607**	**92,968**	**-**	**92,968**
Increases	-	596	596	-	596
Reductions	-	(14,449)	(14,449)	-	(14,449)
Removal from the scope of consolidation	-	-	-	-	-
Translation differences	-	286	286	-	286
Balances at 31 December 2021	**74,361**	**5,040**	**79,401**	**-**	**79,401**
Accumulated depreciation and impairment losses	**Administrative concessions**	**Computer software and other intangible assets**	**Subtotal**	**Goodwill**	**Total**
Balances at 1 January 2020	**23,874**	**18,085**	**41,959**		**41,959**
Increases	1,483	823	2,306	-	2,306
Reductions	-		-	-	-
Transfers	-	(1,990)	(1,990)	-	(1,990)
Impairment	-	-	-	-	-
Translation differences	-	(173)	(173)	-	(173)
Balances at 31 December 2020	**25,357**	**16,745**	**42,102**	**-**	**42,102**
Increases	1,483	456	1,939	-	**1,939**
Reductions	-	(13,754)	(13,754)	-	**(13,754)**
Removal from the scope of consolidation	-	-	-	-	-
Impairment	257	-	257	-	**257**
Translation differences	-	108	108	-	**108**
Balances at 31 December 2021	**27,097**	**3,555**	**30,652**	**-**	**30,652**
Net balance at 1 January 2020	**50,487**	**2,674**	**53,161**	**1,242**	**54,403**
Net balance at 31 December 2020	**49,004**	**1,862**	**50,866**	**-**	**50,866**
Net balance at 31 December 2021	**47,264**	**1,485**	**48,749**	**-**	**48,749**

Research and development expenditure charged directly to the income statement during the year amounted to EUR 7,100 thousand (2020: EUR 2,784 thousand).

The derecognition of goodwill in 2020 resulted from the exit from the scope of consolidation of the cash-generating unit (CGU) identified in Eurocontrol, S.A. (see Note 2.3.1)

'Computer software and other intangible assets' includes the title to and the right to use computer programs acquired from third parties. Computer software does not include the amounts related to the internal development of computer programs. The main losses in the year relate to software licenses that are no longer in use and that were fully depreciated practically in their entirety.

No finance costs were capitalised in 2021 or 2020.

a) Administrative concessions

This heading also includes the concessions for the operation of the Huercal-Overa underground car park (Almería) and the underground car park in Alcobendas. The most relevant aspects regarding these concession arrangements for public services are as follows:

	Concession	Term	Remuneration	Redemption
1	Alcobendas sports complex	50 years	User charges	At end of concession term
2	Sports complex, car park and public spaces at the La Viña Shopping Centre in San Sebastián de los Reyes	50 years	User charges	Period may be extended up to 60 years upon approval by the Municipal Council
3	Underground car park at Huercal - Overa (Almeria)	30 years	User charges	Subject to successive term extensions.

Concession assets are financed by borrowings amounting to EUR 13,476 thousand (2020: EUR 15,108 thousand)

Operating income from managing these concessions amounted to EUR 5,308 thousand (2020: EUR 4,727 thousand).

8. Rights of use over leased assets

The detail of 'rights of use over leased assets' and of the changes to it is as follows:

	Offices	Housing	Vehicles	Total
Cost				
1 January 2020	**52,077**	**7,995**	**10,833**	**70,905**
Additions	787	5,274	5,055	11,116
Disposals	(2,944)	(1,175)	(485)	(4,604)
Removal from the scope of consolidation	(2,470)	-	-	(2,470)
Changes due to amendments to existing contracts	13	110	47	170
Translation differences	(438)	(493)	(629)	(1,560)
31 December 2020	**47,025**	**11,711**	**14,821**	**73,556**
Additions	7,624	2,735	840	11,199
Disposals	(11,633)	-	-	(11,633)
Changes due to amendments to existing contracts	27,311	(61)	(1,690)	25,560
Translation differences	210	573	778	1,561
31 December 2021	**70,537**	**14,958**	**14,749**	**100,243**
Amortisation charge				
1 January 2020	**19,022**	**3,307**	**6,103**	**28,432**
Charge for the year	18,668	4,682	6,631	29,981
Disposals	(1,613)	(511)	(330)	(2,454)
Removal from the scope of consolidation	(1,824)	-	-	(1,824)
Translation differences	(220)	(419)	(844)	(1,483)
31 December 2020	**34,033**	**7,059**	**11,560**	**52,652**
Charge for the year	11,658	4,177	1,703	17,538
Disposals	(11,633)	-	-	(11,633)
Translation differences	(118)	591	728	1,201
31 December 2021	**33,941**	**11,827**	**13,991**	**59,758**
Net balance at 01 January 2020	**33,055**	**4,688**	**4,730**	**42,473**
Net balance at 31 December 2020	**12,992**	**4,652**	**3,261**	**20,905**
Net balance at 31 December 2021	**36,599**	**3,130**	**757**	**40,486**

The amounts paid in respect of rights of use on leased assets at 31 December 2021 amount to EUR 18,342 thousand (2020: EUR 28,925 thousand).

At 31 December 2021, the financial debt associated with the rights of use for leased assets amounted to EUR 41,421 thousand (2020: EUR 22,238 thousand), and the interest charged to the income statement amounted to EUR 288 thousand (2020: EUR 756 thousand).

The losses in 2021 related mainly to the completion of the leases for the former Group offices in Spain at Arapiles 13, Arapiles 14 and Maria de Portugal.

The change due to changes in existing leases reflects the change in the lease extension of the offices of the Adequa complex.

9. Investments in associates

The detail of and changes in investments in associates is as follows:

	2021	2020
Initial balance	**2,711**	**3,422**
Additions	-	3
Changes in the scope of consolidation	-	(39)
Share of profit/(loss)	(1,072)	(675)
Ending balance	**1,639**	**2,711**

The amount of this heading includes the interest in the equity of associates (over which it does not have control). At 31 December 2021, it related mainly to the stake in the company Minatrico S. de. R.L. de C.V.

The 'Share in profit/(loss) of associates' heading in 2021 and 2020 included the share in the profit/loss of Master S.A. Engineering and Architecture.

The reporting date of the financial statements of all associates coincides with the reporting date of the Parent's financial statements. The Group's interest in its main associates, all of which are unlisted, is as follows:

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	% ownership interest
2021						
Master S.A de Ingeniería y Arquitectura	Spain	2,579	7,796	971	(2,681)	40.00%
Ebramex S. de R.L. de C.V.	Mexico	188	11,022	-	-	33.33%
Minatrico S. de R.L. de C.V.	Mexico	11,523	359	-	-	33.33%

Name	Country of incorporation	Assets	Liabilities	Revenue	Profit/(loss)	% ownership interest
2020						
Master S.A. de Ingeniería y Arquitectura	Spain	2,500	5,038	2,727	(1,686)	40.00%
Ebramex S. de R.L. de C.V.	Mexico	178	10,448	-	-	33.33%
Minatrico S. de R.L. de C.V.	Mexico	10,923	341	-	-	33.33%

This balance relates to minor investments in companies that are not listed on any active market and over which the Group does not have control.

No provisions for impairment losses in investments in associates were recognised in 2021 or 2020.

10. Financial instruments

10.1. Financial instruments by category

The detail, by nature and measurement category, of the financial assets (excluding cash and cash equivalents) and financial liabilities for the years ended 31 December 2021 and 2020, is as follows:

	At 31 December 2021		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives (Note 10.2)**
Nature / Category			
Derivatives	-	-	7,202
Accounts receivable and other financial assets (Note 13)	264	75,576	-
Long-term/non-current	**264**	**75,576**	**7,202**
Derivatives	-	-	6,359
Loans and receivables (Note 11)	-	2,568,029	-
Accounts receivable and other financial assets (Note 13)	-	24,962	-
Short-term/current	**-**	**2,592,991**	**6,359**
Total financial assets	**264**	**2,668,567**	**13,561**

	At 31 December 2020		
Financial assets:	**Financial assets through other comprehensive income**	**Amortised cost**	**Hedging derivatives (Note 10.2)**
Nature / Category			
Derivatives	-	-	3,336
Accounts receivable and other financial assets (Note 13)	264	85,364	-
Long-term/non-current	**264**	**85,364**	**3,336**
Derivatives	-	-	28,855
Loans and receivables (Note 11)	-	2,355,285	-
Accounts receivable and other financial assets (Note 13)	-	6,947	-
Short-term/current	**-**	**2,362,231**	**28,855**
Total financial assets	**264**	**2,447,595**	**32,191**

Financial liabilities	At 31 December 2021 Accounts payable	At 31 December 2021 Hedging derivatives (Note 10.2)	At 31 December 2020 Accounts payable	At 31 December 2020 Hedging derivatives (Note 10.2)
Nature / Category				
Borrowings (Note 20)	475,533	-	372,176	-
Borrowings associated with rights of use of leased assets (Note 9)	28,332	-	5,704	-
Derivatives	-	2	-	-
Other accounts payable	281	-	653	-
Non-current payables/Non-current financial liabilities	**504,146**	**2**	**378,533**	**-**
Borrowings (Note 20)	267,352	-	362,857	-
Borrowings associated with rights of use of leased assets (Note 9)	13,089	-	16,534	-
Derivatives	-	18,868	-	5,875
Trade payables	2,775,067	-	2,678,103	-
Other accounts payable	18,167	-	17,556	-
Current payables/Current financial liabilities	**3,073,675**	**18,868**	**3,075,050**	**5,875**
Total financial liabilities	**3,577,821**	**18,870**	**3,453,583**	**5,875**

10.2. Derivative financial instruments

The detail of derivative financial instruments at the end of 2021 and 2020 is as follows:

	2021		2020	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Foreign currency forward contracts - cash flow hedges	12,602	18,870	29,267	5,875
Commodity forward contracts	959	-	2,924	-
Total	**13,561**	**18,870**	**32,191**	**5,875**
Non-current portion	**7,202**	**2**	**3,336**	**-**
Current portion	**6,359**	**18,868**	**28,855**	**5,875**

The derivative financial instruments arranged by the Group relate mainly to the foreign currency forwards to cover highly probable future cash flows.

The Group assesses the effectiveness of the hedges by conducting efficacy tests (prospective tests) in which the changes in hedged cash flows are compared with the changes in the cash flows of the assigned derivative.

The detail of the maturities by year of the notional amounts of the contracts in force at 31 December 2021 and 2020 is as follows:

2021

Type of instrument	Fair value (thousands of euros) 2021	Notional currency	Notional maturities (thousands) 2022	2023	2024	Total
Foreign currency forward contracts						
US dollar / Euro	12,440	USD	104,348	261,000	14,400	365,348
US Dollar/SGD	78	USD	7,823	-	-	7,823
Canadian dollar / Euro	84	CAD	7,850	-	-	7,850
Commodities	959					-
Assets	**13,561**					

Type of instrument	Fair value (thousands of euros) 2021	Notional currency	Notional maturities (thousands) 2022	2023	2024	Total
Foreign currency forward contracts						
US dollar / Euro	17,466	USD	613,442	10,000	-	623,442
US Dollar/COP	37	USD	6,000	-	-	6,000
Canadian dollar / Euro	327	CAD	9,550	-	-	9,550
US dollar / Japanese yen	929	USD	5,096	-	-	5,096
US Dollar/SGD	22	USD	7,935	-	-	7,935
Commodities	89					
Liabilities	**18,870**					
Net balances	**(5,309)**					

2020

Type of instrument	Fair value (thousands of euros) 2020	Notional currency	Notional maturities (thousands) 2021	2022	Total
Foreign currency forward contracts					
US dollar / Euro	28,311	USD	750,663	116,200	866,863
US Dollar/SGD	956	SGD	21,362	-	21,362
Commodities	2,924		-	-	-
Assets	**32,191**				

Type of instrument	Fair value (thousands of euros) 2020	Notional currency	Notional maturities (thousands) 2021	2022	Total
Foreign currency forward contracts					
US dollar / Euro	5,427	USD	247,847	-	247,847
US dollar / Japanese yen	448	JPY	465,600	-	465,600
Liabilities	**5,875**				
Net balances	**26,316**				

The detail of the maturities by year of the fair values of the contracts in force at 31 December 2021 and 2020 is as follows:

	2021	2022	2023	2024	Total fair value
Total assets 2021	**-**	6,359	6,923	279	**13,561**
Total liabilities 2021	-	18,868	2		**18,870**
Total assets 2020	28,855	3,336	-	-	**9,231**
Total liabilities 2020	5,875	-	-	-	**56,286**

The highly probable forecast transactions denominated in foreign currency that have been hedged are expected to materialise.

The Group's maximum exposure to credit risk at the balance sheet date is the fair value of balance-sheet derivative liabilities.

As at 31 December 2021 the cumulative result net of tax in the consolidated equity hedging reserve for foreign currency forward contracts amounts to a loss of EUR 2,622 thousand (2020: EUR 5,187 thousand in profit). These results are recognised in the consolidated income statement in the period or periods during which the hedged transaction affects the consolidated income statement. In 2021, the impact on the consolidated income statement recorded as profit/loss from operations under 'Procurements' and 'Ordinary income', was a loss of EUR 13,763 thousand (2020: EUR 10,307 thousand in profit).

The changes in hedging derivatives and the hedging reserve, as well as their impacts on equity and the income statement during the year, are as follows:

	01/01/2021	Income recognised in equity *	Settlements for the year ***	31/12/2021
Hedging derivatives (net liability position)	26,316	(25,499)	(6,126)	(5,309)

	01/01/2021	Income recognised in equity *	Transfers to the income statement **	31/12/2021
Hedging reserve (gross of tax effect)	(6,885)	25,499	(13,763)	4,851

* Refers to the portion of the profit or loss on the hedged instrument that has been determined to be an effective hedge.

** Amount taken to the income statement for the year, to the extent that the hedged transaction impacts profit or loss.

*** Value of the hedging derivatives settled by the Group during the year.

	01/01/2020	Income recognised in equity *	Settlements for the year ***	31/12/2020
Hedging derivatives (net asset/liability position)	(49,645)	46,772	29,189	26,316

	01/01/2020	Income recognised in equity *	Transfers to profit or loss **	31/12/2020
Hedging reserve (gross of tax effect)	29,580	(46,772)	10,307	(6,885)

* Refers to the portion of the profit or loss on the hedged instrument that has been determined to be an effective hedge.

** Amount taken to the income statement for the year, to the extent that the hedged transaction impacts profit or loss.

*** Value of the hedging derivatives settled by the Group during the year.

In 2021 and 2020, no ineffectiveness worthy of mention arose as a result of foreign currency hedges, which is recognised, if it arises, in the income statement as financial profit or loss.

11. Trade and other receivables

The detail of this heading at the end of 2021 and 2020 is as follows:

	2021	2020
Trade receivables	2,418,675	2,108,822
Customer retentions	80,051	126,513
Less: Provision for impairment of accounts receivable	(38,645)	(30,568)
Trade receivables, net	2,460,081	2,204,767
Other accounts receivable	3,552	5,118
Prepayments	45,725	60,688
Tax receivables	50,422	71,832
Other	8,249	12,880
Total	**2,568,029**	**2,355,285**

Prepayments refer to the payments made on account for specific supplies to be used in the Group's projects. The increase or decrease in the amount of this heading is cyclical and depends on the stage of completion of each of the projects at the reporting date.

Tax receivables include EUR 19,371 thousand (2020:EUR 34,061 thousand) in respect of withholdings and payments on account.

As at 31 December 2021, invoiced client receivables due amount to EUR 210,509 thousand (2020:EUR 123,326 thousand).

As at 31 December 2021, there were trade receivables amounting to EUR 126,677 thousand (2020: EUR 111,017 thousand) that were past due but not impaired. These receivables relate to a number of independent clients for whom there is no recent history of default.

The analysis of the age of these accounts receivable is as follows:

	2021	2020
Less than 3 months	20,290	30,717
Between 3 and 6 months	4,772	18,794
More than 6 months	101,615	61,506
	126,677	**111,017**

The Group recognised a loss of EUR 8,077 thousand for the impairment loss on the value of its trade receivables in the year ended 31 December 2021 (2020: EUR 1,791 thousand).

The changes in the provision for impairment of trade receivables are as follows:

	2021	2020
Opening balance	**30,568**	**31,970**
Impairment losses charged to income	8,077	1,791
Amounts used	-	(3,193)
Ending balance	**38,645**	**30,568**

Trade receivables include EUR 2,081,489 thousand (2020: EUR 1,817,705 thousand) relating to completed work yet to be billed (OEPC), which is calculated in accordance with the criteria for recognising revenue established in Note 2.20.

At 31 December 2021, the amount of the work completed but yet to be billed and dated over 12 months amounted to EUR 517 million (EUR 576 million in 2020), mainly corresponding to orders for change and claims. Of these amounts, EUR 15 million are provisioned (EUR 9 million in 2020).

The changes in work completed but yet to be billed were as follows:

	2021	2020
Beginning balance	**1,817,705**	**1,960,475**
Billing for the year	(1,291,798)	(1,384,728)
Changes and claims	(67,183)	239,304
Changes in level of progress	1,622,765	1,002,654
Ending balance	**2,081,489**	**1,817,705**

The ‘work completed but yet to be billed’ heading includes the non-contentious claims expected to be collected from clients that are being negotiated and recognised in accordance with that indicated in Note 2.20. Depending on the types of projects in the portfolio, negotiations with clients regarding claims may go on during the entire life of the project, and are usually concluded in the final stage of the project.

In addition and also under work completed but yet to be billed, ongoing change orders with clients for changes in the scope or modifications not included in the original contract were recognised in accordance with that indicated in Note 2.20.

As indicated in Note 2.2, the Group negotiated with certain clients the settlement of change orders, claims, work completed but yet to be billed and repayment of sureties. Closing these agreements involved one-time extraordinary assignment of certain amounts claimed to clients that were derecognised at the end of 2021.

In 2020, the evolution of the negotiations was affected by COVID-19, with consequent postponements, but this was brought back to normal in 2021.

The changes in change orders and complaints were as follows:

	Change orders	Complaints	Total
Balance at 01 January 2020	**201,623**	**251,048**	**452,671**
Additions	120,865	207,481	328,346
Derecognitions due to approval	(29,117)	(66,865)	(95,982)
Derecognitions due to regularisation	(7,566)	-	(7,566)
Balance at 31 December 2020	**285,805**	**391,664**	**677,469**
Additions	81,247	200,550	281,797
Derecognitions due to approval	(160,456)	(26,099)	(186,555)
Derecognitions due to regularisation	(25,904)	(75,891)	(101,795)
Balance at 31 December 2021	**180,692**	**490,224**	**670,916**

In the first two months of 2022, favourable agreements were reached with clients in relation to claims and change orders recognised at 31 December 2021, amounting to EUR 212,835 thousand. Therefore, at the date of preparation of these financial statements, the total complaints and change orders closed favourably in the last 14 months amounted to EUR 399,391 thousand.

The total amount requested for complaints as at 31 December 2021 and 2020 amounted to EUR 1,971,279 thousand and EUR 1,436,539 thousand, respectively. The breakdown of the geographical areas of the amounts recognised is as follows:

• Middle East: 90.6%

• America: 0.3%

• Mediterranean, Europe and Asia: 9.1%

The total amount requested for change orders as at 31 December 2021 and 2020 was EUR 565,741 thousand and EUR 672,784 thousand, respectively

With regard to the EUR 677,469 thousand recognised as income on account for claims and change orders at the end 2020, EUR 389,119 thousand were still in the process of being negotiated as of the date these consolidated financial statements were prepared.

The weighted average historical net rate of achievement of the amounts recognised in the balance sheet for claims and change orders for the last three years (2018-20) is 93%, with the range being 82% -128%.

There was no significant effect on the fair values of trade and other receivables. Nominal amounts are considered to approximate the fair value of these receivables and the effect of discounting is not significant under any circumstances.

Maximum exposure to credit risk at the reporting date is the carrying amount of the trade and other receivables.

The carrying amounts of the Trade receivables account are denominated in the following currencies:

	2021	**2020**
Euro	290,749	321,390
US dollar	1,051,296	798,306
KWD	119,033	102,165
SAR	948,273	870,817
Other currencies	158,678	262,607
Total	**2,568,029**	**2,355,285**

The total amount of costs incurred and profit recognised accrued at source for all contracts in progress at the balance sheet date was EUR 24,134,440 thousand (2020: EUR 21,284,695 thousand) and EUR 1,766,217 thousand (2020: EUR 1,796,047 thousand), respectively.

At 31 December 2021, the outstanding revenue from the outstanding contracts for the year amounted to EUR 8,718,631 thousand, the performance of which will be carried out in the coming years based on the annual progress on the various projects (2020: EUR 8,346,933 thousand).

The amount of advances received on projects in progress is disclosed in Note 19. As with advances to suppliers, the increase or decrease in the amount of this heading is cyclical and depends on the stage of completion of each of the projects at the reporting date.

12. Inventories

The detail of 'Inventories' is as follows:

	2021	2020
Commodities	1,751	1,681
Parking spaces	7,135	7,213
Impairment of parking spaces	(297)	-
	8,589	**8,894**

13. Accounts receivable and other financial assets

	2021	2020
Accounts receivable and other non-current financial assets		
Loans to employees	402	411
Long-term loans to associates	264	264
Held-to-maturity investments	8,337	6,011
Loans to public authorities	8,569	8,569
Other non-current assets	66,070	78,175
	83,642	**93,430**
Impairment loss on accounts receivable	(7,802)	(7,802)
	75,840	**85,628**
Accounts receivable and other current financial assets		
Loans to venturers in joint ventures and joint arrangements	15,250	6,791
Current investments held to maturity	9,712	156
	24,962	**6,947**

The changes in the provision for impairment of accounts receivable and other financial assets are as follows:

	2021	2020
Beginning balance	**7,802**	**8,569**
Reversals	-	(767)
Ending balance	**7,802**	**7,802**

The carrying amount of accounts receivable and other financial assets is considered to approximate their fair value. Maximum exposure to credit risk at the reporting date is the carrying amount of the accounts receivable and other financial assets.

'Other non-current assets' includes mainly the amounts transferred to clients as security for compliance with any obligations that may arise from the outcome of lawsuits. The Group includes the estimated probable cost that could arise from the outcome of the aforementioned lawsuits under 'Non-current provisions'.

The average interest rate on loans to venturers in UTEs and joint ventures in 2021 and 2020 was at market interest rates: Euribor + 2% and other benchmarks 2% in both years

'Other financial assets at amortised cost' includes mainly guarantees and deposits.

'Loans to public authorities' includes the balances receivable for various concessions. In 2014, the Group decided to withdraw from the operating concessions due to the fact that after the contracts were awarded to Técnicas Reunidas, there were circumstances that significantly affected and altered the agreed legal relationships and ownership arrangements with the respective local authorities. This balance is fully provisioned.

The Group informed the local governments of its decision to withdraw from the concessions. As of today's date the matter has not yet been definitively resolved and the concessions are not operational at this time.

The termination of the concession agreement should result in a refund of the amounts invested by Técnicas Reunidas.

14. Cash and cash equivalents

The detail of cash and cash equivalents is as follows:

	2021	2020
Cash on hand and at banks	456,185	530,982
Short-term bank deposits and other cash equivalents	210,694	400,553
	666,879	**931,535**

This heading includes cash (cash on hand and demand deposits) and cash equivalents (short-term, highly liquid investments, easily convertible into cash within a maximum period of three months the value of which is subject to an insignificant risk of changes in value). The short-term bank deposits earn interest at market rates. The average remuneration rates on deposits were EUR 0% and USD 0.10% in both years and the average term was 14 days.

Of the total included under Cash and cash equivalents at 31 December 2021, EUR 479,181 thousand (2020: EUR 682,544 thousand) came from the integration of the joint arrangements and joint ventures of companies included in the scope of consolidation, as detailed in Appendices III and IV respectively.

There were no cash or cash equivalents with restricted availability at 31 December 2021 and 2020, however, the cash from the joint arrangements with other partners is allocated in full to the project subject to such joint venture or UTE.

For the purposes of the statement of cash flows, the cash balance includes cash and cash equivalents.

15. Share capital, share premium and treasury shares

	Share capital	Share premium	Treasury shares	Total
Balance at 01 January 2020	**5,590**	**8,691**	**(73,830)**	**(59,549)**
Other changes	-	-	721	**721**
Balance at 31 December 2020	**5,590**	**8,691**	**(73,109)**	**(58,828)**
Other changes	-	-	(160)	(160)
Balance at 31 December 2021	**5,590**	**8,691**	**(73,269)**	**(58,988)**

A 31 December 2021 and 2020, the total authorised number of ordinary shares was 55,896,000 shares, with a par value of EUR 0.10 each. All of the shares issued are fully paid and carry the same voting and dividend rights. There are no restrictions on the free transferability of the shares.

The changes in 'Treasury shares' in 2021 and 2020 were as follows:

	2021		2020	
	Number of treasury shares	**Thousands of euros**	**Number of treasury shares**	**Thousands of euros**
At beginning of year	2,198,034	73,109	2,193,424	73,830
Increases/purchases	4,171,582	40,389	3,338,697	42,423
Decreases/sales	(4,119,182)	(40,229)	(3,334,087)	(43,144)
At end of year	**2,250,434**	**73,269**	**2,198,034**	**73,109**

The treasury shares at 31 December 2021 represent 4.03% of the share capital (2020: 3.93%) of the Parent and total 2,250,434 shares (2020: 2,198,034 shares), with a weighted average price of EUR 32.56 per share (2020: EUR 33.26 per share).

Since 21 June 2006, all shares of Técnicas Reunidas, S.A. have been admitted to trading on the four Spanish stock exchanges, and are listed on the continuous market.

At 31 December 2021, the share price amounted to EUR 6.95/share, while the average price for the year was EUR 10.09/share.

The share capital of Técnicas Reunidas, S.A. is represented as follows:

	2021	2020
Shareholder	**% Ownership interest**	**% Ownership interest**
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.10%	5.10%
Araltec Corporación, S.L.U.	31.99%	31.99%
Franklin Templeton Investment Management Ltd	3.00%	3.00%
Norges Bank	-	2.96%
Francisco García Paramés	5.15%	-
Álvaro Guzmán de Lázaro Mateos	3.49%	-
Ariel Investments. L.L.C.	3.01%	3.01%
Columbia Management Investment Advisers LLC	3.12%	3.12%
Other shareholders (including free float)	41.11%	46.89%
Treasury shares	4.03%	3.93%
TOTAL	**100.00%**	**100.00%**

In accordance with the notice filed with the Spanish National Securities Market Commission (CNMV), on 12 December 2017 José Lladó Fernández-Urrutia held direct and indirect ownership interest of 37.20% in Técnicas Reunidas, S.A. through Araltec Corporación, S.L.U. and Aragonesas Promoción de Obras y Construcciones, S.L.U.

The shareholders at the Parent’s Annual General Meeting held on 25 June 2020 agreed to authorise the Board of Directors to acquire treasury shares up to the maximum number of shares established by law, at a price that may not be more than 5% higher or lower than the weighted average share price on the day the purchase is made (or the minimum and maximum prices allowed by law at any given time) and with a maximum daily volume that may not be more than 15% of the average daily volume traded on the market for orders of the regulated market or the Spanish multilateral trading system over the previous thirty sessions.

The Parent Company entered into a liquidity agreement with Santander Investment Bolsa, Sociedad de Valores, S.A.U. The framework of this agreement is the Spanish Stock Exchanges and its purpose is to create added liquidity for transactions. The agreement was signed for a term of one year, which was renewed on 10 July 2017 in accordance with CNMV Circular 1/2017, of 26 April, and was automatically extended for additional years on 10 July 2019. A total of 74,500 shares were allocated to the securities account associated with the agreement and EUR 2,537 thousand were allocated to the cash account associated with the agreement.

16. Other reserves

	2021	2020
Legal reserve	1,137	1,137
Capitalisation reserve	3,056	3,056
	4,193	4,193

16.1. Legal reserve

The legal reserve has reached the stipulated level, cannot be distributed to shareholders and can only be used to offset losses, provided that other reserves are not available for this purpose. Under certain conditions, it may also be used to increase share capital.

16.2. Capitalisation reserve

The Capitalisation Reserve is allocated in accordance with section 25 of the Spanish Corporate Income Tax Act 27/2014 [*Ley del Impuesto de Sociedades*]. This reserve is unavailable for five years in accordance with the conditions established under that section.

17. Cumulative translation differences

	Thousands of euros
1 January 2020	**(37,350)**
– Group companies and associates	(79,936)
31 December 2020	**(117,286)**
– Group companies and associates	21,243
31 December 2021	**(96,043)**

The breakdown, by company or subgroup, of the cumulative translation differences at the end of 2021 and 2020 is as follows:

Técnicas Reunidas, S.A.	(2,522)	(36,539)
- Abu Dabhi branch	*(2,639)*	*(5,636)*
- Australia branch	*(2,423)*	*(2,520)*
- Ankara branch	*662*	*327*
- Moscow branch	*(1,916)*	*(2,147)*
Kuwait branch	*3,054*	*(23,505)*
Algeria branch	*(5,879)*	*(5,984)*
- Other	*6,619*	*2,927*
Técnicas Reunidas RUP Insaat (Turkey)	(9,269)	(6,880)
Técnicas Reunidas TEC (Bolivia)	(4,677)	(4,607)
Técnicas Reunidas Canada (Canada)	(7,301)	(3,995)
TSGI Mühendislik İnşaat Limited Şirketi (Turkey)	(36,763)	(25,390)
Técnicas Reunidas Saudia (Saudi Arabia)	(10,247)	(8,606)
Técnicas Reunidas Gulf Ltd. (Saudi Arabia)	2,227	251
Técnicas Reunidas Chile Limitada (Chile)	(573)	274
Técnicas Reunidas Peru de Talara (Peru)	(27,379)	(24,080)
Técnicas Reunidas Omán LLC (Oman)	34	(105)
Treunidas Mühendislik ve İnsaat A.S (Turkey)	(1,585)	(1,043)
TR Bapco (Bahrain)	305	(2,200)
R Daewoo LLC (Oman)	385	(1,967)
Técnicas Reunidas LLC (Duqm) (Oman)	130	(1,463)
Técnicas Reunidas Méjico (Mexico)	25	(383)
Técnicas Reunidas PIC (Peru)	(67)	(68)
Other	1,234	(486)
Total	**(96,042)**	**(117,286)**

18. Dividend distribution and non-controlling interests

The proposed distribution of the Parent's loss for 2021 to be submitted at the Annual General Meeting, as well as the approved distribution of profit for 2020, is as follows:

	2021	2020
Basis of allocation		
Profit (loss) attributable to the Parent	(344,083)	77,744
	(344,083)	**77,744**
Allocation		
Other reserves	(344,083)	77,744
	(344,083)	**77,744**

The Board of Directors of the Parent did not approve a dividend distribution in 2021 or 2020.

a) Retained earnings

These are unrestricted voluntary reserves that amounted to EUR 248,556 thousand at 31 December 2021 (EUR 439,391 thousand at 31 December 2020).

b) Non-controlling interests

The non-controlling interests in the Parent underwent the following changes in 2021 and 2020:

Balance at 01/01/2020	**12,730**
Profit/(loss)	1,933
Translation differences	(251)
Removal from scope of consolidation	(3,382)
Dividends paid to non-controlling interests	(94)
Balance at 31/12/2020	**10,936**
Profit/(loss)	(1,690)
Translation differences	316
Removal from scope of consolidation	-
Dividends paid to non-controlling interests	-
Balance at 31/12/2021	**9,562**

19. Trade and other payables

The amount recognised as 'Trade payables' consists of the following:

	2021	2020
Payables to suppliers	2,229,604	2,246,246
Supplier retainings	303,133	238,698
Prepayments received for contract work	206,592	162,102
Other	35,738	31,057
	2,775,067	**2,678,103**

The amount recognised as 'Other payables' consists of the following:

Current	2021	2020
Social security taxes	6,376	6,921
Tax withholdings payable	9,957	9,436
Other	1,834	1,199
	18,167	**17,556**

The carrying amount of trade and other payables approximates their fair value.

The carrying amounts of the Payables to suppliers are denominated in the following currencies:

	2021	2020
Euro	530,450	573,031
US dollar	1,301,961	1,200,822
Other currencies	397,193	472,393
Total	**2,229,604**	**2,246,246**

20. Borrowings

	2021	2020
Non-current		
Borrowings	475,533	372,176
	475,533	**372,176**
Current		
Borrowings	267,352	363,979
	267,352	**363,979**
Total borrowings	**742,885**	**736,155**

The changes in 'Financial debt' in 2021 and 2020 were as follows:

	2021	2020
Beginning balance	**736,155**	**582,257**
Drawdowns	717,512	718,300
Returns	(710,133)	(560,149)
Accrued interest	19,300	16,711
Interest paid	(19,949)	(15,591)
Removals from scope of consolidation	-	(5,373)
Ending balance	**742,885**	**736,155**

At 31 December 2021, of the total financial debt, EUR 348,755 thousand was at a fixed rate (2020: EUR 296,826 thousand), as detailed below:

	2021		2020	
Item	**Amount**	**Rate**	**Amount**	**Rate**
MARF promissory notes	84,200	0.52-2%	67,800	0.6%-0.65%
Fixed-rate SSD loans	8,000	1.45%	8,000	1.45%
Fixed-rate loans	52,844	1.29%-2.14%	45,257	1.85%
Syndicated line	-	-	49,745	1.40%
Syndicated ICO loan	97,911	2.45%	40,224	2.45%
MARF bonds	49,800	2.75%	29,800	2.75%
Private placement	56,000	3.25%	56,000	3.25%
	348,755		**296,826**	

The average variable interest rates applicable to the rest of the debt were as follows:

	2021		2020	
	EUR	USD	EUR	USD
Floating rates	1.97%	-	1.66%	1.5%/2.25%

The carrying amount of current and non-current borrowings approximates their fair value, as the impact of discounting is not significant. Most of the borrowings are tied to variable interest rates, mainly the Euribor, and reviewed on a monthly basis.

The maturities of the borrowings are broken down in Note 3 - ‘Liquidity risk’.

The carrying amount of the Group’s borrowings is denominated in the following currencies:

	2021	2020
EUR	742,885	690,931
US dollars and other currencies	-	45,224
	742,885	**736,155**

The Group has the following undrawn credit lines and other loans:

	2021	2020
- maturing within one year	46,776	192,450
- maturing in more than one year	71,605	33,749
	118,381	**226,199**

At the end of June 2020, the Group refinanced the syndicated loans amounting to EUR 437 million. This refinancing consisted of a loan guaranteed by the ICO for an amount of EUR 244 million (COVID-19 ICO line), as well as a loan of EUR 127 million and a credit facility in the amount of EUR 66 million, both backed by CESCE. At 31 December 2021, these syndicated lines amounted to EUR 412,886 thousand. This financing requires a consolidated net financial debt/EBITDA ratio that is less than or equal to 2.5

In addition, these two agreements contain the following limitation on distributing profits for the years 2021-24: 30% of the consolidated net profit for the years 2021/2022, 40% of the consolidated net profit for 2023 and 50% of the consolidated net profit for 2024.

In addition, in 2021 the Group renewed the short-term promissory notes program in the MARF for EUR 175 million. The balance at 31 December 2021 amounted to EUR 84,200 thousand (2020: EUR 67,715 thousand). The average interest rate is 0.87% (2020: 0.6%). The bond program in the MARF was also renewed for EUR 100 million. The balance at 31 December 2021 amounts to EUR 49,800 thousand (2020: EUR 29,435 thousand). The bonds issued in the MARF have an interest rate of 2.75% and mature in December 2024.

From year-end to the date of preparation of these consolidated financial statements, the maturity of German market promissory notes in the amount of EUR 40 million was extended by two years.

The long-term private debt placement agreements and the German promissory note financing in force at 31 December 2021 require that the consolidated net financial debt/EBITDA ratio be less than or equal to 3.

At the date of preparation of these annual financial statements, the financial entities participating in the two syndicated credit lines and the MARF bonds, the private debt placement and the German promissory notes authorised a waiver of the Company's obligation to meet the financial ratio (Net financial debt/consolidated EBITDA must be less than or equal to 2.5) in 2021.

21. Provisions for contingencies and charges

21.1. Provisions for contingencies and charges - Non-current

Item	Provision for estimated losses	Provision for infrastructure	Other provisions	Total provisions for contingencies and charges
Balance at 01/01/2020	**2,588**	**4,000**	**27,707**	**34,295**
Reversals/amounts used	(18,075)	-	-	(18,075)
Period provisions	18,075	-	2,932	21,007
Balance at 31/12/2020	**2,588**	**4,000**	**30,639**	**37,227**
Reversals/amounts used	(3,657)	-	(1,246)	(4,903)
Period provisions	4,431	-	33,540	37,971
Balance at 31/12/2021	**3,362**	**4,000**	**62,933**	**70,295**

In compliance with IAS 37, the Group recognises provisions to cover estimated future losses on projects currently in progress.

a) Provision for infrastructure:

For those projects that are completed, the Group also estimates the probable costs that will subsequently be incurred.

b) Other provisions:

This line item relates to provisions arranged to cover other contingencies and charges, including payment obligations to project partners, provisions for probable risks, provisions for other non-current payments to be made. In this regard, the balance at year-end 2021 relates mainly to provisions made as a result of the estimation of the probable outcome of arbitral processes in Asia and Latin America.

The increase in the period relates to provisions recognised for a total of EUR 32,294 thousand relating to litigation, arbitration and claims with clients and subcontractors. This provision was recognised under 'Other operating expenses' in the consolidated income statement.

With regard to non-current provisions, given the nature of the risks included, it is not possible to determine a reasonable schedule for the related payments.

21.2. Provisions for contingencies and charges - Current

	Provisions for current contingencies and charges
Balance at 01 January 2020	**43,642**
Reversals/amounts used	(42,483)
Period provisions	28,782
Balance at 31 December 2020	**29,941**
Reversals/amounts used	768
Period provisions	-
Balance at 31 December 2021	**30,709**

In 2020 the provision related to the Finnish project was paid off for approximately EUR 40 million. In this regard, the balance at the end of 2021 relates mainly to the provision made as a result of the arbitration award for a project performed on the Iberian Peninsula, which was already recognised at the end of 2020.

22. Revenue

	2021	2020
Income from engineering and construction contracts	2,807,593	3,520,589
Total ordinary revenue	**2,807,593**	**3,520,589**

Note 5 presents the main business segments and geographical areas in which the Group operates.

23. Procurements and other operating income and expenses

23.1. Procurements

The ‘Procurements’ heading mainly includes the amount of materials and the costs of construction subcontracts, such as metal structures, civil engineering, equipment assembly, etc., and engineering services.

23.2. Other operating expenses

	2021	2020
Services	107,283	125,297
Independent professional services	51,559	54,681
Repairs and upkeep	8,663	13,015
Banking and similar services	58,538	52,766
Transport costs	13,320	13,219
Insurance premiums	11,162	16,769
Utilities and supplies	3,302	7,335
Other	65,090	6,169
	318,917	**289,251**

The increase under "Other" is mainly due to provisions for contingencies and expenses of EUR 33,836 thousand (see note 21), as well as an increase of EUR 8,077 thousand in provisions for doubtful debts (see note 11) and losses on bad debts of EUR 4,966 thousand.

'Services' includes the expenses related to work performed.

23.3. Other operating income

	2021	2020
Operating grants	1,779	1,282
Other	5,308	8,870
	7,087	**10,152**

'Other' includes mainly the income obtained from the operation of concessions.

23.4. Other gains or losses

This heading includes, in 2021 the net proceeds obtained from the sale of all shares of Técnicas Reunidas Australia, Pty Ltd., and in 2020 the proceeds obtained from the sale of Eurocontrol, S.A. (see Note 2.3.1), which amounted to EUR 12,556 and EUR 10,315 thousand, respectively.

24. Employee benefit expenses

	2021	2020
Wages and salaries	397,630	469,299
Social security expense	64,774	76,038
Other staff costs	11,584	14,347
Long-term employee remuneration obligations	1,742	2,170
	475,730	**561,856**

The 'Wages and salaries' heading includes an amount of EUR 7,868 thousand (2020: EUR 6,961 thousand) for severance payments.

25. Financial profit/loss

	2021	2020
Finance income:		
Interest income from short-term deposits in banks and others	2,638	3,455
Net earnings/(losses) in the fair value of financial instruments at fair value, with changes posted to profit/(loss) and others	6	(308)
Total finance income	**2,644**	**3,147**
Finance costs:		
Interest expense on loans with banks	(16,221)	(14,771)
Net losses from foreign currency transactions	(5,142)	(6,583)
Other finance costs	(3,079)	(1,942)
Interest on lease liabilities	(288)	(756)
Total finance costs	**(24,730)**	**(24,053)**

Note 9 explains the impact of foreign currency hedging contracts on profit/(loss). That impact, as well as exchange gains/(losses) generated by the hedged instrument, is recognised as part of the operating profits/(losses).

26. Income tax

The companies of the Técnicas Reunidas Group included in the Consolidated Taxation Regime are the following: Técnicas Reunidas, S.A., Técnicas Reunidas Internacional, S.A., Termotécnica, S.A., Técnicas Reunidas Construcciones y Montajes, S.A., Técnicas Reunidas Ecología, S.A Técnicas Siderúrgicas, S.A., Española de Investigación y Desarrollo, S.A., Técnicas Reunidas Proyectos Internacionales, S.A. Técnicas Reunidas Metalúrgicas, S.A., Layar, S.A, Layar Real Reserva, S.A., ReciclAguilar, S.A Initec Plantas Industriales, S.A.U., Initec Infraestructuras, S.A.U., S.L, Heymo, S.A., Deportes Valdavia 2017, S.L., Valdavia Gym, S.L., Valdavia Pádel, S.L. and Ibérica del Espacio, S.A.

For the calculation of the tax base of the tax group and the different individual companies included in the scope of consolidation, the accounting profit/(loss) is adjusted in accordance with the temporary and permanent differences that may exist, giving rise to the corresponding deferred tax assets and liabilities. In general, the deferred tax assets and liabilities arise as a consequence of valuation standardisations between accounting criteria and principles of individual companies and those of the consolidated group, to which those of the parent apply.

The breakdown of the tax expense is as follows:

	2021	2020
Current tax	25,560	(10,271)
Deferred tax	(7,476)	22,207
Provision for Tax Inspections	1,210	617
Prior years' adjustments	(6,963)	(5,652)
Income tax	**12,331**	**6,901**

The tax on the Group's profit before taxes differs from the theoretical amount that would have been obtained using the tax rate applicable to the profits of the consolidated companies as follows:

	2021	2020
Profit/(Loss) before tax	**(179,802)**	**19,883**
Tax calculated at the tax rate applicable to the profits of the Parent	(44,950)	4,971
Tax effects of:		
- Tax-exempt profits	19,155	(30,656)
- Non-deductible expenses for tax purposes/non-taxable revenue	(11,180)	(20,464)
- Effect of difference in tax rates in other countries	1,056	4,500
- Tax losses for which no tax credit has been recognised	52,570	48,907
- Tax loss carryforwards	(6,662)	(1,545)
- Provision for tax inspections	1,210	617
- Other	1,132	571
Tax expense	**12,331**	**6,901**

The breakdown of the deferred tax assets and liabilities is as follows:

	2021	2020
Deferred tax assets		
recoverable in over 12 months	394,304	402,953
recoverable in under 12 months	16,554	4,308
	410,858	**407,261**
Deferred tax liabilities		
recoverable in over 12 months	54,012	72,199
recoverable in under 12 months	10,400	-
	64,412	**72,199**

The changes in the deferred tax assets and liabilities are as follows:

	Assets	Liabilities
Balance at 01 January 2020	**387,424**	**67,497**
Generations and reversions with impact on the income statement	24,389	2,182
Generations and reversions with impact on equity	(4,552)	2,520
Balance at 31 December 2020	**407,261**	**72,199**
Generations and reversions with impact on the income statement	1,955	(5,521)
Generations and reversions with impact on equity	1,642	(2,266)
Balance at 31 December 2021	**410,858**	**64,412**

The prepaid or deferred taxes arise from the following items:

Assets	**2021**	**2020**
Tax credits from tax loss carryforwards	101,094	107,209
Losses incurred in subsidiaries and permanent establishments	248,077	236,814
Project valuation standardisation	26,288	26,251
Hedging reserve	2,588	946
Impact of IFRS 15 and IFRS 9	1,533	7,245
Other	31,278	28,796
	410,858	**407,261**

Liabilities	**2021**	**2020**
-Timing differences in countries	53,922	57,715
-Project valuation standardisation and others	10,112	11,839
-Hedging reserve	378	2,645
	64,412	**72,199**

Deferred tax assets are recognised to the extent that related taxable profit is likely to be generated through future taxable profits.

A breakdown by geographic zone of the tax credits from tax loss carryforwards pending offset activated at 31 December 2021 and 2020 and of the prepaid taxes arising from losses incurred in subsidiaries and permanent establishments is presented below:

	2021	**2020**
Europe	76,815	84,756
Saudi Arabia	16,810	17,128
America	7,469	5,325
Total tax credits from tax loss carryforwards	**101,094**	**107,209**
Spain	248,077	236,814
Total prepaid taxes from losses incurred in subsidiaries and permanent establishments	**248,077**	**236,814**

In Spain and Saudi Arabia there is no time limit to apply prepaid taxes and deduct tax losses, respectively, pursuant to the legislation in force.

According to the forecasts prepared by Management, it is estimated that the recovery of tax credits and tax loss carryforwards generated by losses in branches/subsidiaries of the Parent will take place within approximately 10 years as, among other actions, there is a plan to liquidate these branches/subsidiaries in a shorter period. The assumptions used are based on the already known results guidance (in terms of, among others, portfolio, revenues and margins) as well as on the forecasts on which the disbursement of the ‘Solvency Support Fund for

Strategic Companies' is based and the recovery of the level of sales and their profitability in accordance with the expectations of normalised recovery of investments and the impact of the energy transition in the sector

The details of tax loss carryforwards from foreign subsidiaries on which tax assets have not been recognised essentially corresponds to the following:

	2021		2020	
	Base	Tax charge	Base	Tax charge
Spain	183,836	45,959	112,688.00	28,172.00
Saudi Arabia	377,886	75,577	261,091	52,218

Management does not consider their activation at the year-end as it is not possible to reliably predict their recovery date.

No deferred taxes were generated in 2021 and 2020 from transactions charged or paid directly against equity, in addition to those detailed in the Consolidated Financial Statement.

On 28 June 2014, the Tax Agency communicated to Técnicas Reunidas, S.A., as Parent of the Tax Group, the initiation of inspection proceedings for the 2008-11 corporation tax.

In June 2015, the Parent Company received a settlement proposal for an amount of EUR 138.2 million plus interest, and signed the assessment on a contested basis. The settlement agreement is based on the discrepancies of the Tax Agency with the criteria on which the Group's transfer pricing strategy is based.

In July 2015, the settlement proposal was unsuccessfully appealed for reconsideration before the Tax Agency. The Company filed an appeal for judicial review against this ruling before the Central Judicial Review Court on 15 September 2015.

In 2018, the Central Judicial Review Court (TEAC) partially ruled in favour of the Group, reducing the settlement amount by EUR 20.9 million plus interest and establishing the current amount of the claim at EUR 117.3 million plus interest. The Spanish Tax Agency has not filed an appeal against this ruling.

In October 2018, the Group filed an administrative appeal with the National High Court against the corresponding decision of the Central Judicial Review Court. In 2020, the statement of claim for all the proceedings was filed and the response to the claim by the State Attorney was received in all the proceedings, and the parties are waiting for the National Appellate Court to rule on the request for expert evidence made by TRSA and the joint ventures.

The Parent Company's management and its tax advisers have concluded that it is not likely that the amount of the tax assessments appealed before the National Appellate Court will have to be paid. Management considers that there are technical arguments for the opinions of Técnicas Reunidas to be upheld in their entirety, and that likelihood is higher in the judicial review phase. Técnicas Reunidas' opinion is based on the fact that the agreed assessments signed in 2010 recognised the right of exemption of the unincorporated temporary joint ventures with which the Técnicas Reunidas Group operates abroad and, moreover, defined the intragroup transactions model on which Técnicas Reunidas developed its new transfer pricing model, with the support of its tax advisers.

Consequently, the Parent's management and directors considered that it was not necessary to recognise any liability.

At the date of preparation of these consolidated annual financial statements, the Parent did not have to make any payments related to the Certificates of Non-Conformity, since both the payment and the interest are guaranteed.

On 3 July 2017, an audit was opened into the Company's 2012 to 2014 income taxes and for 2014 to 2015 for the rest of its taxes. The audit closed with the signing of inspection certificates with tax settlement in 2020.

The agreements reached relate to the application of tax exemptions to the execution of projects through joint ventures. The Group and the Tax Inspectorate agreed that this exemption is partially applicable.

The signing of these Certificates of Conformity is intended to reduce the risks associated with the tax litigation that the Group bears. In addition, and in the opinion of the Group's management and tax advisers, the signing of that agreement does not change the estimate that the claim before the National High Court will be concluded favourably.

Likewise, as a result of the inspection for 2012-14, there are a number of points regarding the tax on companies that have been the subject of certificates signed in non-conformity. The amount of these non-conformities amounted to EUR 3,566 thousand for 2012 (EUR 2,823 thousand for the payment and EUR 744 thousand corresponding to interest), while for 2013 and 2014 these certificates contained a settlement proposal amounting to EUR 5,002 thousand (EUR 4,169 thousand for the payment and EUR 833 thousand corresponding to interest).

In view of the settlement agreements and the proposed penalties, TRSA filed an appeal with the tax review board, requesting the suspension of payment of the debt (a request that was granted). On 3 February 2022, the tax review board notified two decisions, fully upholding the contested settlement agreements. In response to these decisions, TRSA plans to file an appeal for judicial review in the National Appellate Court within two months of the notification of the tax review board's decisions.

The Parent's Management and its tax advisers have concluded that it is unlikely that the amount of the certificates appealed to the Tax Review Board will have to be paid, so no provision has been made for these items.

The detail of the years open for inspection is as follows:

Tax	Years
Income tax	2015-2021
Value-added tax	2016-2021
Personal income tax	2016-2021
Taxes other than income tax	Last 4 years

The varying interpretations of current tax legislation in force, inter alia, could give rise to additional liabilities as a result of a tax audit. In any case, the Parent's Directors consider that, should they arise, these liabilities would not have a material effect on the consolidated financial statements.

27. Profit/(loss) per share

a) Basic

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of ordinary shares outstanding during the year, excluding treasury shares acquired by the Parent.

b) Diluted

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to reflect the conversion of all the potential dilutive ordinary shares. Given that the Parent does not hold any class of potential dilutive ordinary shares, the diluted earning per share matches the basic earning per share.

	2021	2020
Profit/(loss) for the year attributable to ordinary equity instrument holders of the entity	(190,443)	11,049
Weighted average number of ordinary shares outstanding	53,674,071	53,700,271
Earnings/(losses) per share of the profit/loss attributable to ordinary equity holders of the entity (EUR per share)	(3.55)	0.21

Dividends per share

No dividends were distributed in 2021 and 2020.

28. Contingencies and securities provided

The Group has contingent liabilities for bank guarantees and other securities related to the normal course of business. It is envisaged that no significant liability will arise from them in addition to those cases for which provisions were made as mentioned in Note 21. In the normal course of the activities, and as is usual among companies dedicated to engineering and construction activities, the Group has issued guarantees to third parties for a value of EUR 4,500,390 thousand (2020: EUR 5,033,692 thousand) to guarantee the adequate fulfilment of agreements.

The total guarantees provided include syndicated guarantee lines amounting to EUR 671,787 thousand (2020: EUR 560,429 thousand) that are subject to certain covenants, compliance with which was exempted at 31 December 2021. The Parent's directors expect that the ratios or covenants included in the syndicated guarantee contracts will be met at the end of the next financial year.

In accordance with the general contracting terms and conditions of the Company and the Group companies, they are obliged to issue technical guarantees in relation to the execution of the work (bank guarantees) and they must be held for a certain period.

As mentioned in Note 7, the bank borrowings in the amount of EUR 13,476 thousand (2020: EUR 15,108 thousand) financed the construction of the Concessions. Those loans (except for EUR 1,200 thousand) are secured with the stated concession assets.

In relation to the audits mentioned in Note 26, bonds have been paid to the tax authorities amounting to EUR 152,046 thousand. (EUR 125,127 thousand as instalment and EUR 26,919 thousand in default interest.

The Group is party to certain judicial and arbitration disputes, framed in the closure process of the projects, with clients and suppliers. Based on the opinion of the Group's legal advisers, formulated based on the available information, the Parent believes that, except for the disputes for which the provision corresponding to the best forecast made on the impact that its resolution could have has been recognised (see Note 21), their outcome will not significantly influence the Group's financial position.

Specifically, in 2021, a client initiated arbitration against Técnicas Reunidas, asking the arbitrator to validate the actions related to the termination of the contract and a supplemental amount. Técnicas Reunidas, submitted its counterclaim and its Directors, based on the information available, do not expect any additional liabilities to arise from it beyond those already considered.

In addition, two lawsuits are in the process of being resolved in Peru and Portugal, the risks of which are considered sufficiently covered.

29. Commitments

Fixed asset purchase commitments

There are no significant investment commitments in relation to asset purchases at 31 December 2021 or 31 December 2020.

Supplier and contractor purchase commitments

The Group has payment commitments vis-à-vis its suppliers, in addition to those recognised in the trade payables heading, as a result of orders in the preparation or construction phase that cannot be invoiced until the contractual milestones are reached. In this respect, the invoices to clients of the Group are issued in accordance with contractual milestones of a similar nature to those that the Group maintains with its suppliers.

Information on the average period of payment to suppliers. Additional provision three. 'Reporting obligations' under Spanish Law 15/2010, of 5 July. (Under the new wording given by final provision two of Spanish Law 31/2014 reforming the Spanish Corporate Enterprises Act [*Ley de Sociedades de Capital*]).

As established by the reference law, as well as the resolution of the Spanish Accounting and Account Auditing Institute of 29 January 2016, the following information is broken down in reference to the average period of payment to suppliers:

	2021	2020
Average period of payment to suppliers	110	87
Ratio of transactions paid	85	83
Ratio of transactions payable	144	98

	2021	2020
Total payments made	2,181,864	3,270,992
Total payments pending	929,262	999,130

These figures relate to projects in multiple regions. With respect to Spanish suppliers, the Group may exceed the deadlines set in the case of invoices that do not comply with the terms of the contract because they are not officially compliant, due to non-receipt of guarantees or non-compliance with other supplier obligations and for other reasons linked to the exceptional nature of conducting business in the context of COVID-19.

The calculation of the data of the above table was performed in accordance with the Spanish Accounting and Account Auditing Institute resolution of 29 January 2016. For the purposes of this note, the trade payables item includes the heading of suppliers and sundry payables for debts to goods suppliers or service providers included in the scope of the regulation on legal payment deadlines.

For the calculation of the information contained in this note, the transactions executed with the Group's suppliers has been considered after eliminating the reciprocal credits and debits of the subsidiaries and, as applicable, those of the multi-group companies pursuant to the applicable consolidation rules.

The calculation is made taking into account the date of registration of the invoice in the system. On that date, not all the invoices are due since they may not comply with the contractual requirements established. In addition, this debt is not enforceable in accordance with 'paid when paid' clauses.

30. Connected-party transactions

The connected-party transactions during 2021 and 2020 pertain to the Company's ordinary business. The stated transactions executed with connected parties are as follows:

a) Transactions with directors and executives of the Company and their connected entities

No transactions were performed with the Company's directors in 2021 or 2020, except as detailed below:

- **Transactions performed with Banco Sabadell in 2021:**

This information relates to 2021 and 2020.

Transactions performed in the year:

	2021	2020
Finance costs	453	493
Finance income	-	3
Credit lines	9,950	10,000
Drawn balances	4,950	5,000
Guarantee lines	47,000	77,000
Used guarantees	21,329	51,756
Cash and cash equivalents	8,087	5,401

Note 32 includes information related to the remuneration paid to the directors of Técnicas Reunidas, S.A.

- **Remuneration paid to senior management**

Furthermore, during 2021, remuneration (wages and salaries, both fixed and variable) was paid to senior management of the Group for a total of EUR 4,548 thousand (2020: EUR 4,877 thousand), as well as advances in the amount of EUR 0 thousand (2020: EUR 0 thousand), as well as loans in the amount of EUR 0 thousand (2020: EUR 0 thousand). The gross amounts paid to unrelated persons who are no longer part of senior management amount to EUR 1,107 thousand (2020: EUR 1,415 thousand).

b) Transactions with associates

Details of the balances and transactions with the associates included in Appendix II is presented below:

	2021	2020
Loans	6,323	3,671
Payables to suppliers	347	278
Purchases	-	1,685
Interest	89	49

All the transactions indicated were carried out with the company Mater, S.A. Ingeniería y Arquitectura.

31. Environmental disclosures

In view of the business activities carried on by the Group companies, the Group does not have any environmental expenses, assets, provisions or contingencies that might be material with respect to its equity, financial position or results (see Note 3.4)

32. Other information

a) Average number of employees of the Group by category

The average number of people employed over the year by the companies included by global integration in the scope of consolidation, distributed by categories, is as follows:

	2021	2020
Executive directors and senior executives	12	12
Graduates, line personnel and clerical staff	6,569	8,022
Non-graduates/Unqualified staff	151	306
Sales staff	34	49
	6,767	**8,389**

The average number of people employed over the year by the joint ventures included by proportional integration in the scope of consolidation, distributed by categories, is as follows:

	2021	2020
Graduates, line personnel and clerical staff	241	234
Non-graduates/Unqualified staff	11	-
Sales staff	-	11
	252	**245**

Moreover, the gender balance of the staff of companies included by global integration in the scope of consolidation at the year-end is as follows:

	2021			2020		
	Men	**Women**	**Total**	**Men**	**Women**	**Total**
Executive directors and senior executives	10	1	11	11	1	12
Graduates, line personnel and clerical staff	5,377	1,747	7,124	5,493	1,892	7,385
Non-graduates/Unqualified staff	127	15	142	264	18	282
Sales staff	25	9	34	25	20	45
	5,539	**1,772**	**7,311**	**5,793**	**1,931**	**7,724**

The above figures include 795 subcontracted workers and independent contractors (2020: 266 workers).

The average number of people employed in 2021 and 2020 by the companies included in the scope of consolidation with a disability level greater than or equal to 33% amounted to 27 and 34 workers respectively, in the 'Graduates, other line personnel and clerical staff' category.

b) Fees paid to auditors

The fees for services contracted in 2021 and 2020 by companies of the Técnicas Reunidas Group with their respective auditors are as follows:

	2021			
	PwC*	**Deloitte,S.L.**	**Other companies of the PwC network***	**Other companies of the Deloitte,S.L. network.**
Financial audit services	**536**	**449**	**253**	**157**
Non-audit services	**217**	**25**	**149**	**44**
Other attest services	217	25	46	20
Tax services	-	-	103	24
	753	**474**	**402**	**201**

	2020			
	PwC*	**Deloitte,S.L.**	**Other companies of the PwC network***	**Other companies of the Deloitte,S.L. network.**
Financial audit services	**518**	**393**	**290**	**159**
Non-audit services	**137**	**30**	**384**	**64**
Other non-audit services	137	25	40	29
Tax services	-	5	344	35
	655	**423**	**674**	**223**

*PricewaterhouseCoopers Auditores, S.L. (PwC)

c) Information required by section 229 of the Spanish Corporate Enterprises Act

The Directors of the Parent do not have any issue to inform in relation to section 229 of the Corporate Enterprises Act, approved by means of Royal Legislative Decree 1/2010, of 2 July, except the following:

- Juan Lladó Arburúa is Deputy Chair of Española de Investigación y Desarrollo, S.A.

d) Remuneration paid to members of the Parent's Board of Directors

The overall remuneration received by the members of the Company's Board of Directors during the years ended 31 December 2021 and 2020 is presented below:

Allowances for attendance at Board of Directors meetings, received by all the Board members: EUR 2,000 thousand (2020: EUR 1,865 thousand).

Wages and salaries: EUR 800 thousand (2020: EUR 2,073 thousand).

Life insurance and pension plan premiums: EUR 4 thousand (2020: EUR 38 thousand).

Services rendered to the Group: EUR 305 thousand (2020: EUR 301 thousand).

Furthermore, the Group paid EUR 308 thousand and EUR 145 thousand in 2021 and 2020, respectively, for third-party liability insurance for directors and officers.

33. Events after the balance sheet date

On 18 February 2022, the Ministry of Finance and the Civil Service announced that the Council of Ministers had authorised the granting of temporary public assistance for the Técnicas Reunidas Group in the amount of EUR 340 million. This authorisation came after the Board of Trustees of the Fund for Supporting the Solvency of Strategic Companies approved this loan.

Under the terms of the loan, the Parent (Tecnicas Reunidas, S.A.) acts as applicant, borrower and beneficiary, and the group company Initec Plantas Industriales, S.A.U. acts as beneficiary and guarantor of the financing agreements. Both companies have joint and several liability.

This aid took the form of a participating loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million. Both loans will have a term of four and a half years, with the possibility of early repayment. Except for this possibility of early repayment, in the case of the participating loan, the principal must be repaid upon maturity and, while the ordinary loan has a grace period of 1 year and must then be repaid each year in percentages of 20%, 30%, 30% and a last tranche of 20% at maturity.

During the term of these loans, the Group has the obligation not to distribute dividends. The terms of the financing received--which if breached may result in early maturity--include certain obligations regarding the use of the financing and compliance with the viability plan submitted, the adoption of digitalisation and sustainability measures and the strengthening of the Group's financial and solvency position throughout 2022.

Both amounts were received on 24 February 2022.

The effect in 2021 if the SEPI funds are received, considering the participating loan as part of equity for corporate purposes, and the net cash position for the purposes of the covenants, would be as follows:

	2021	**2021 with SEPI**
Borrowings	(742,885)	(1,082,885)
Net cash position*	(76,006)	98,994
Commercial equity	104,658	279,659
% Borrowings / Commercial Equity	709.82%	387.22%
% Net cash position / Commercial Equity	-72.62%	35.40%

*The participating loan is not considered in the calculation of the net cash position for the purposes of the covenants

At the date these consolidated financial statements were authorised to be issued, no subsequent significant events had taken place, in addition to those already mentioned in the previous paragraphs, which would need to be broken down.

APPENDIX I

Subsidiaries included in the scope of consolidation – 2021

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	P.O. BOX 39561, Dahrahn 31942 (Saudi Arabia)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
TR Saudi Arabia LLC	P.O. Box 40.538, Jeddah 21511, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Saudia for Services and Contracting Company Limited	P.O. Box 77076, 31952 Al Khobar, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
TECNICAS REUNIDAS GLOBAL FOR ENGINEERING CONSULTANTS CO. LTD	P.O. Box 30909, Al Khobar 31952, Saudi Arabia	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Argentina	MORENO 957 Piso:2 Dpto:1 1091-CIUDAD AUTONOMA BUENOS AIRES	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Bahrain W.L.L	Sanabis, block 410, road 1010, building 474, flat 211	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas TEC – Bolivia	Edificio el Cubo II, 2º Piso, Avenida las Ramblas, Zona Empresarial Equipetrol Norte, Santa Cruz (Bolivia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Deloitte
TR Canada Inc	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

Tecnicas Reunidas Canada E&C INC.	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6, (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Alberta	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Chile Ltda.	Badajoz Nº 45, Oficina 1901, Edificio Fundadores, Las Condes, Santiago de Chile (Chile)	100%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
TR Metalúrgica Chile	Avda. Bosque Norte, 107, Las Condes, Santiago de Chile	100%	Termotécnica,S.A.	I.G.	Engineering Services	Deloitte
TR Colombia	AK 9 # 127 C 60 OF 311 Municipio: Bogotá D.C	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas USA L.L.C.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, (USA)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Louisiana L.L.C.	Baton Rouge, Louisiana (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Houston L.L.C.	1790 Hugues Landing Boulevard, the Woodlands, Texas 77380 (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Internacional, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Termotécnica, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	99.98%	Técnicas Reunidas, S.A. y Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service and Machinery Wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Development	Unaudited

Técnicas Reunidas Ecología, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Metalúrgicas, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Trade Panamá, S.A.	República de Panamá, (Panama)	100%	Técnicas Reunidas, S.A.	I.G.	Inactive Company	Unaudited
Técnicas Siderúrgicas, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Española de Investigación y Desarrollo, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Layar, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Activity	Unaudited
Layar Real Reserva, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Layar, S.A.	I.G.	Property Activity	Unaudited
Initec Plantas Industriales, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC/Deloitte
Initec Infraestructuras, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

ReciclAguilar, S.A.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	80%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Heymo Ingeniería, S. A.	Avenida de Burgos 89, Edificio 3, plnta 6ª, núcleo A, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S. A.	I.G.	Engineering Services	Deloitte
Deportes Valdavia	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Valdavia Padel S.L.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Valdavia Gim S.L.	Avenida de Burgos 89, Edificio 6, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Ibérica del Espacio, S.A.	Calle Magallanes 3, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Netherlands B.V.	Parklaan 34, 3016BC Rotterdam (Netherlands)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Ghana	4 Momotse avenue, Adabraka-Accra Mteropolitan, Greatrer Accra, PO BOX NT 1632, A., (Ghana)	100%	Técnicas Reunidas Netherlands B.V.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Dufi CCGT Kft	1077 Budapest, Wesselényi utca 16. 3. em.; new seat: 1138 Budapest, Népfürdő utca 22. Building B. 13th floor (Hungary)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Unaudited

Técnicas Reunidas engineers India private limited (TREI)	103 Ashoka Estate, Barakhamba Road, New Delhi – 110 001 (India)	100%	Técnicas Reunidas, S.A.	I.G.	Consultancy and assistance in international engineering projects	LUTHRA-LUTHRA
TR Sagemis	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Italy	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Malaysia SDN.	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1, Leboh Ampang, 40100, Kuala Lumpur, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
TR Servicios S.R.L. de C.V.	Calle Tiburcio Monteil 76, San Miguel Chapultepec, Miguel Hidalgo, Distrito Federeal, 11850, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TReunidas México Ingeniería y Construcción de R.L. de C.V.	Avda Álvaro Obregón 151, piso 6, despacho 601 col Roma Norte CP 06700, Del: Cuauhtemoc, Mexico City, Mexico	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Engineering LLC – Oman	Safeway Building, 2nd floor, Building nº68, Way nº 3305, Dohat-Al Abad, Muscat, Sultanate of Oman	49%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
Técnicas Reunidas Omán LLC	Safe Way Building, Building nº 68, Way nº 3305, Dohah-Al Abad Street, Alkhuwair, Muscat, Sultanate of Oman	70%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
Tecnicas Reunidas LLC (Duqm)	The Special Economic Zone at Duqm / Al-Duqm / Al Wusta Governorate / P.O. Box: 2991 / Postal Code 112	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Perú Ingeniería y Construcción S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

Técnicas Reunidas de Talara, S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas de Construcao Unip. LDA - Portugal	Rua Latino Coelho, n.º 87, Distrito: Lisboa, Concelho: Lisboa, Freguesia: Avenidas Novas, 1050, 132 Lisboa (Portugal)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Tecnicas Reunidas UK	Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB, (UK)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Tecreun República Dominicana, S.R.L.	Avda. de los Próceres, Diamond Mall, 1º piso, local 25A, Santo Domingo, (Dominican Republic)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas INSAAT TAAHHÜT Limited Sirketi	Kozyatağı Nidakule Değirmen Sok. No:18/19A-10. Kat Oda :26 Kozyatağı Kadıköy -İst.-P.K.34742 Adres No: 2252546268 (Turkey)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	PwC
Técnicas Reunidas Mühendislik ve İnsaat A.S	Kozyatağı Nidakule Değirmen Sok. No:18/19A-10. Kat Oda :26 Kozyatağı Kadıköy -İst.-P.K.34742 Adres No: 2252546268 (Turkey	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Projeler	Kozyatagi Mahallesi Degirmen Sk. Nida Kule A Blok Apt. Nº: 18/19 Kadikoy/Istanbul	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

Appendix I: Subsidiaries included in the scope of consolidation – 2020

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Técnicas Reunidas Internacional, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Termotécnica, S.A.	Conde Valle Suchil, 20. Madrid (Spain)	99.98%	Técnicas Reunidas, S.A. y Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service and Machinery Wholesaler	Unaudited
Técnicas Reunidas Construcción y Montaje, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Development	Unaudited
Técnicas Reunidas Ecología, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Metalúrgicas, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Trade Panamá, S.A.	República de Panamá, (Panama)	100%	Técnicas Reunidas, S.A.	I.G.	Inactive Company	Unaudited
Técnicas Siderúrgicas, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas Construcción y Montaje, S.A.	I.G.	Engineering Service	Unaudited
Técnicas Reunidas Proyectos Internacionales, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited
Española de Investigación y Desarrollo, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Service	Unaudited

Layar, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Property Activity	Unaudited
Layar Real Reserva, S.A.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Layar, S.A.	I.G.	Property Activity	Unaudited
Initec Plantas Industriales, S.A.	Calle Maria de Portugal 9-11, Madrid, Spain	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC/Deloitte
Initec Infraestructuras, S.A.	Calle Rafel Calvo 3-5, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Chile Ltda.	Badajoz Nº 45, Oficina 1901, Edificio Fundadores, Las Condes, Santiago de Chile (Chile)	100%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
ReciclAguilar, S.A.	Calle Rafael Calvo 3-5 (Spain)	80%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Gulf Ltd. – Saudi Arabia	P.O. BOX 39561, Dahrahn 31942 (Saudi Arabia)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	PwC
TR Engineering LLC – Oman	Safeway Building, 2nd floor, Building nº68, Way nº 3305, Dohat-Al Abad, Muscat, Sultanate of Oman	49%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
Técnicas Reunidas Omán LLC	Safe Way Building, Building nº 68, Way nº 3305, Dohah-Al Abad Street, Alkhuwair, Muscat, Sultanate of Oman	70%	Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
Técnicas Reunidas Hellas, S.A. – Greece	Panepisstimiou, 10564, Athens, Greece	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Netherlands B.V.	Parklaan 34, 3016BC Rotterdam (Netherlands)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

Técnicas Reunidas de Construcao Unip. LDA - Portugal	Rua Latino Coelho, n.º 87, Distrito: Lisboa, Concelho: Lisboa, Freguesia: Avenidas Novas, 1050, 132 Lisboa (Portugal)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Australia Pty Ltd	Level 8, 44 ST Georges Terrace, Perth WA, 6000 (Australia)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas TEC – Bolivia	Edificio el Cubo II, 2º Piso, Avenida las Ramblas, Zona Empresarial Equipetrol Norte, Santa Cruz (Bolivia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Deloitte
Técnicas ReunidasR RUP INSAAT TAAHHÜT Limited Sirketi	Kozyatağı Nidakule Değirmen Sok. No:18/19A- 10. Kat Oda :26 Kozyatağı Kadıköy - İst.-P.K.34742 Adres No: 2252546268 (Turkey)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	PwC
Técnicas Reunidas Dufi CCGT Kft	1077 Budapest, Wesselényi utca 16. 3. em.; new seat: 1138 Budapest, Népfürdő utca 22. Building B. 13th floor (Hungary)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G	Engineering Services	Unaudited
TR Canada Inc	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited

TR Saudi Arabia LLC	P.O. Box 40.538, Jeddah 21511, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Saudia for Services and Contracting Company Limited	P.O. Box 77076, 31952 Al Khobar, (Saudi Arabia)	100%	Técnicas Reunidas, S.A. / Técnicas Reunidas Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Mühendislik ve İnsaat A.S	Kozyatağı Nidakule Değirmen Sok. No:18/19A- 10. Kat Oda :26 Kozyatağı Kadıköy - İst.-P.K.34742 Adres No: 2252546268 (Turkey	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas engineers India private limited (TREI)	103 Ashoka Estate, Barakhamba Road, New Delhi – 110 001 (India)	100%	Técnicas Reunidas, S.A.	I.G.	Consultancy and assistance in international engineering projects	LUTHRA-LUTHRA
Tecreun República Dominicana, S.R.L.	Avda. de los Próceres, Diamond Mall, 1º piso, local 25A, Santo Domingo, (Dominican Republic)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Perú Ingeniería y Construcción S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited

TReunidas México Ingeniería y Construcción de R.L. de C.V.	Avda Álvaro Obregón 151, piso 6, despacho 601 col Roma Norte CP 06700, Del: Cuauhtemoc, Mexico City, Mexico	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas de Talara, S.A.C.	Av. Jorge Chavez 184, Oficina 402, distrito de Miraflores, provincia y departamento de Lima, (Peru)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Técnicas Reunidas Malaysia SDN.	Suite 1005, 10th Floor, Wisma Hamzah-Kwong Hing, No. 1, Leboh Ampang, 40100, Kuala Lumpur, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Deloitte
TR Servicios S.R.L. de C.V.	Calle Tiburcio Monteil 76, San Miguel Chapultepec, Miguel Hidalgo, Distrito Federeal, 11850, (Malaysia)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas USA L.L.C.	Corporation Trust Center, 1209 Orange Street, Wilmington, Delaware 19801, (USA)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Louisiana L.L.C.	Baton Rouge, Louisiana (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Técnicas Reunidas Houston L.L.C.	1790 Hugues Landing Boulevard, the Woodlands, Texas 77380 (USA)	100%	Técnicas Reunidas USA L.L.C.	I.G.	Engineering Services	Unaudited
Heymo Ingeniería, S. A.	Avenida de Burgos 89, Edificio 3, plnta 6ª, núcleo A, Parque empresarial Adequa, 28050-Madrid (Spain)	100%	Técnicas Reunidas, S. A.	I.G.	Engineering Services	Deloitte

Técnicas Reunidas Ghana	4 Momotse avenue, Adabraka-Accra Mteropolitan, Greatrer Accra, PO BOX NT 1632, A., (Ghana)	100%	Técnicas Reunidas Netherlands B.V.	I.G.	Engineering Services	Unaudited
Tecnicas Reunidas Canada E&C INC.	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6, (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Sagemis	Via Zucchi 1, 20900 Monza MB, (Italy)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Tecnicas Reunidas UK	Suite 1, 3rd Floor, 11-12 St. James's Square, London, SW1Y 4LB, (UK)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
TR Metalúrgica Chile	Avda. Bosque Norte, 107, Las Condes, Santiago de Chile	100%	Termotécnica,S.A.	I.G.	Engineering Services	Deloitte
Deportes Valdavia	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A.	I.G.	Engineering Services	Unaudited
Valdavia Padel S.L.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Valdavia Gim S.L.	Calle Arapiles 13, 28015, Madrid (Spain)	100%	Deportes Valdavia,S.L.	I.G.	Engineering Services	Unaudited
Ibérica del Espacio, S.A.	Calle Magallanes 3, 28015, Madrid (Spain)	100%	Técnicas Reunidas, S.A. and TR Proyectos Internacionales, S.A.	I.G.	Engineering Services	PwC

TR Alberta	Suite 500, 5004 Avenue SW Calgary, AB - T2P 2V6 (Canada)	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Argentina	MORENO 957 Piso:2 Dpto:1 1091-CIUDAD AUTONOMA BUENOS AIRES	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	Unaudited
TR Colombia	AK 9 # 127 C 60 OF 311 Municipio: Bogotá D.C	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Projeler	Kozyatagi Mahallesi Degirmen Sk. Nida Kule A Blok Apt. Nº: 18/19 Kadikoy/Istanbul	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
Tecnicas Reunidas LLC (Duqm)	The Special Economic Zone at Duqm / Al-Duqm / Al Wusta Governorate / P.O. Box: 2991 / Postal Code 112	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TR Bahrain W.L.L	Sanabis, block 410, road 1010, building 474, flat 211	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC
TECNICAS REUNIDAS GLOBAL FOR ENGINEERING CONSULTANTS CO. LTD	P.O. Box 30909, Al Khobar 31952, Saudi Arabia	100%	Técnicas Reunidas, S.A. / Initec Plantas Industriales, S.A.	I.G.	Engineering Services	PwC

APPENDIX II
Associates included in the scope of consolidation – 2021

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Proyectos Ebramex, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Minatrico, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Máster S.A. de ingeniería y Arquitectura	Ronda General Mitre 126, 4ª planta, 08021-Barcelona (Spain)	40.00%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited

APPENDIX II
Associates included in the scope of consolidation – 2020

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
Proyectos Ebramex, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Minatrico, S. de R.L. de C.V.	Ciudad de Tampico, Tamaulipas, Mexico	33.33%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited
Máster S.A. de ingeniería y Arquitectura	Ronda General Mitre 126, 4ª planta, 08021-Barcelona (Spain)	40.00%	Técnicas Reunidas, S.A.	P. Eq.	Engineering Services	Unaudited

APPENDIX III

Joint operations included in the scope of consolidation – 2021

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
TSGI Mühendislik İnşaat Limited Şirketi	Turkey	33.33%	Técnicas Reunidas, S. A.	Proportional	Engineering Services	PwC
TR Daewoo LLC	Oman	65.00%	Técnicas Reunidas, S.A.	Proportional	Engineering Services	PwC
TR Bapco	Bahrain	32.00%	Tr Saudia S.C LTD	Proportional	Engineering Services	PwC

APPENDIX III

Joint operations included in the scope of consolidation – 2020

Corporate Name	Registered Address	% Share of Nominal Amount	Shareholder Company	Integration method	Business activity	Auditor
TSGI Mühendislik İnşaat Limited Şirketi	Turkey	33.33%	Técnicas Reunidas, S. A.	Proportional	Engineering Services	PwC
TR Daewoo LLC	Oman	65.00%	Técnicas Reunidas, S.A.	Proportional	Engineering Services	PwC
TR Bapco	Bahrain	32.00%	Tr Saudia S.C LTD	Proportional	Engineering Services	PwC

APPENDIX IV

Unincorporated temporary joint ventures, consortiums and permanent establishments in which the companies included in the scope of consolidation have shares – 2021

Entity name	Business activity	Share percentage	Entity name	Business activity	Share percentage
UTE ABU DHABI SAS	Engineering Services and Project Execution	100%	UTE TR PHB JORDAN	Engineering Services and Project Execution	50%
UTE FAHDILI	Engineering Services and Project Execution	100%	UTE TR/ SGS PISTA 18R	Engineering Services and Project Execution	50%
UTE FORT HILLS	Engineering Services and Project Execution	100%	UTE TR/IN CONS.COMPL.VIÑA	Engineering Services and Project Execution	100%
UTE HAIL	Engineering Services and Project Execution	100%	UTE TR/INIT. P.I. Rabigh	Engineering Services and Project Execution	100%
UTE HASSI MESSAOUD PRJ.	Engineering Services and Project Execution	55%	UTE TSGI	Engineering Services and Project Execution	33%
UTE IGD	Engineering Services and Project Execution	100%	UTE TSK TR ASHUGANJ NORTH	Engineering Services and Project Execution	50%
UTE INTEGRATED PROJECT	Engineering Services and Project Execution	100%	UTE Valoriza	Engineering Services and Project Execution	50%
UTE PRESAS MIÑO	Engineering Services and Project Execution	25%	UTE VEOLIA-HEYMO BREF CQP	Engineering Services and Project Execution	61.93%
UTE STURGEON	Engineering Services and Project Execution	100%	UTE RAMBLA	Engineering Services and Project Execution	100%
UTE TR DUFI HUNGRIA	Engineering Services and Project Execution	100%	JV DARSAIT	Engineering Services and Project Execution	50%
UTE TR ETO	Engineering Services and Project Execution	100%	JV RAILWAY	Engineering Services and Project Execution	34%
UTE TR INTEGRATED GAS	Engineering Services and Project Execution	100%	JV SOHAR	Engineering Services and Project Execution	50%
UTE TR JRTP JAZAN	Engineering Services and Project Execution	100%	SAMSUNG-TR JOINT VENTURE	Engineering Services and Project Execution	100%
UTE TR JUBAIL	Engineering Services and Project Execution	100%	TECNICAS REUNIDAS FR BR.	Engineering Services and Project Execution	100%

UTE TR MINATITLAN	Engineering Services and Project Execution	100%	TR MARRUECOS	Engineering Services and Project Execution	100%
UTE TR NAPHTHA RT	Engineering Services and Project Execution	100%	TR Branch Azerbaijan	Engineering Services and Project Execution	100%
UTE TR NEC	Engineering Services and Project Execution	100%	TR LEDCOR	Engineering Services and Project Execution	50%
UTE TR OPTARA	Engineering Services and Project Execution	100%	TR MOSCU BRANCH	Engineering Services and Project Execution	100%
UTE TR RUP	Engineering Services and Project Execution	100%	TR OMAN BRANCH	Engineering Services and Project Execution	100%
UTE TR TALARA	Engineering Services and Project Execution	100%	TR QATAR	Engineering Services and Project Execution	100%
UTE TR YANBU REFINERY	Engineering Services and Project Execution	100%	TR SHARJAH	Engineering Services and Project Execution	100%
UTE TR/IPI ELEFSINA	Engineering Services and Project Execution	100%	TR SINGAPOUR	Engineering Services and Project Execution	100%
UTE TR/IPI Refi. de Sines	Engineering Services and Project Execution	100%	TR THAILAND BRANCH	Engineering Services and Project Execution	100%
UTE TR-IPI ABU DHABI SHAH	Engineering Services and Project Execution	100%	TRD DUQM PROJECT	Engineering Services and Project Execution	65%
UTE TRISA/AST. P. EBRAMEX	Engineering Services and Project Execution	33%	TRSA INDIA 33059	Engineering Services and Project Execution	100%
UTE TRISA/AST. P. MINATR.	Engineering Services and Project Execution	33%	TRSA INDIA 33065	Engineering Services and Project Execution	100%
UTE TUBAN	Engineering Services and Project Execution	100%	TRSA India 33117	Engineering Services and Project Execution	100%
UTE VOLGOGRAD	Engineering Services and Project Execution	100%	TRSA India 37007	Engineering Services and Project Execution	100%
UTE TR/IPI TR POWER	Engineering Services and Project Execution	100%	BX TR SPOLKA CYWILNA	Engineering Services and Project Execution	50%
UTE TR/TREC OPER.DESALAD	Engineering Services and Project Execution	100%	EP BANGLADESH	Engineering Services and Project Execution	100%
UTE Desaladora Oropesa	Engineering Services and Project Execution	25%	EP JORDANIA	Engineering Services and Project Execution	100%
UTE Edif.Servs. Múltiples	Engineering Services and Project Execution	50%	EP SINES	Engineering Services and Project Execution	100%
UTE HEYMO-INCLAM	Engineering Services and Project Execution	50%	EP UTE Hassi Messaoud	Engineering Services and Project Execution	55%
UTE HPP Gepesa	Engineering Services and Project Execution	60%	HYUNDAI TR SPOLKA	Engineering Services and Project Execution	45%
UTE MARJAN	Engineering Services and Project Execution	100%	JV KUWAIT CONSORCIO	Engineering Services and Project Execution	50%
UTE PERELLÓ	Engineering Services and Project Execution	50%	TR Abu Dhabi (BRANCH)	Engineering Services and Project Execution	100%

UTE PRESAS CANTÁBRICO	Engineering Services and Project Execution	25%	TR AUSTRALIA	Engineering Services and Project Execution	100%
UTE Puerto de Barcelona	Engineering Services and Project Execution	50%	TR BRANCH ARGELIA	Engineering Services and Project Execution	100%
UTE TR ADGAS	Engineering Services and Project Execution	100%	TR FINLANDIA	Engineering Services and Project Execution	100%
UTE TR BALONGAN	Engineering Services and Project Execution	100%	TR INDONESIA	Engineering Services and Project Execution	100%
UTE TR BU HASA	Engineering Services and Project Execution	100%	TR KAZAJISTAN	Engineering Services and Project Execution	100%
UTE TR HARADH GAS COMPRES	Engineering Services and Project Execution	100%	TR KUWAIT BRANCH	Engineering Services and Project Execution	100%
UTE TR JJC	Engineering Services and Project Execution	51%	TR NORUEGA	Engineering Services and Project Execution	100%
UTE TR JURONG	Engineering Services and Project Execution	100%	TR SA ODDZIAL W POLSCE	Engineering Services and Project Execution	100%
UTE TR MERCURY	Engineering Services and Project Execution	100%	TR TURQUÍA BOTAS	Engineering Services and Project Execution	100%

APPENDIX IV

Unincorporated temporary joint ventures, consortiums and permanent establishments in which the companies included in the scope of consolidation have shares – 2020

Entity name	Business activity	Share percentage
TR Abu Dhabi (BRANCH)	Engineering Services and Project Execution	100%
TR TURQUÍA BOTAS	Engineering Services and Project Execution	100%
TR AUSTRALIA	Engineering Services and Project Execution	100%
TReunidas Branch Argelia	Engineering Services and Project Execution	100%
TR SA ODDZIAL W POLSCE	Engineering Services and Project Execution	100%
BX TR SPOLKA CYWILNA	Engineering Services and Project Execution	50%

Entity name	Business activity	Share percentage
UTE RAMBLA	Engineering Services and Project Execution	80%
UTE Puerto de Barcelona	Engineering Services and Project Execution	50%
UTE Edif.Servs. Múltiples	Engineering Services and Project Execution	50%
UTE TR/INIT. P.I. Rabigh	Engineering Services and Project Execution	100%
UTE TR/TREC OPER.DESALAD	Engineering Services and Project Execution	100%
UTE TR/INITEC INFRA CONST	Engineering Services and Project Execution	100%

TR NORUEGA	Engineering Services and Project Execution	100%	UTE TR/Duro F. CTCC Besós	Engineering Services and Project Execution	50%
EP BANGLADESH	Engineering Services and Project Execution	100%	UTE PERELLÓ	Engineering Services and Project Execution	50%
EP JORDANIA	Engineering Services and Project Execution	100%	UTE TR/IN CONS.COMPL.VIÑA	Engineering Services and Project Execution	100%
TR KUWAIT BRANCH	Engineering Services and Project Execution	100%	UTE TSK TR ASHUGANJ NORTH	Engineering Services and Project Execution	50%
JV KUWAIT CONSORCIO	Engineering Services and Project Execution	50%	UTE TR JJC	Engineering Services and Project Execution	51%
TR FINLANDIA	Engineering Services and Project Execution	100%	UTE TR/ SGS PISTA 18R	Engineering Services and Project Execution	50%
UTE TR/IPI Refi. de Sines	Engineering Services and Project Execution	100%	UTE TR PHB JORDAN	Engineering Services and Project Execution	50%
TR ELEFSINA	Engineering Services and Project Execution	100%	SAMSUNG-TR JOINT VENTURE	Engineering Services and Project Execution	29%
UTE HYDROCRAKER HUNG.	Engineering Services and Project Execution	100%	TR OMAN BRANCH	Engineering Services and Project Execution	100%
UTE TR/IPI TR POWER	Engineering Services and Project Execution	100%	UTE HPP Gepesa	Engineering Services and Project Execution	60%

UTE ALQUILACION CHILE	Engineering Services and Project Execution	100%	UTE TSGI	Engineering Services and Project Execution	33%
TR ABU DHABI	Engineering Services and Project Execution	100%	TR MOSCU BRANCH	Engineering Services and Project Execution	100%
UTE TR JUBAIL	Engineering Services and Project Execution	100%	TECNICAS REUNIDAS FR BR.	Engineering Services and Project Execution	100%
UTE TR RUP	Engineering Services and Project Execution	100%	JV DARSAIT	Engineering Services and Project Execution	50%
UTE TR YANBU REFINERY	Engineering Services and Project Execution	100%	CONSORCIO TR/JJC PERÚ	Engineering Services and Project Execution	51%
UTE TR-IPI ABU DHABI SHAH	Engineering Services and Project Execution	100%	CONSORC. MOTA ENGIL TRPIC	Engineering Services and Project Execution	50%
UTE TR DUFI HUNGRIA	Engineering Services and Project Execution	100%	JV SOHAR	Engineering Services and Project Execution	50%
UTE VOLGOGRAD	Engineering Services and Project Execution	100%	TR QATAR	Engineering Services and Project Execution	100%
UTE INTEGRATED PROJECT	Engineering Services and Project Execution	100%	JV RAILWAY	Engineering Services and Project Execution	34%
UTE TR JRTP JAZAN	Engineering Services and Project Execution	100%	TRSA INDIA 33059	Engineering Services and Project Execution	100%

UTE TR TALARA	Engineering Services and Project Execution	100%	TRSA INDIA 33065	Engineering Services and Project Execution	100%
UTE TR OPTARA	Engineering Services and Project Execution	100%	TRSA India 33117	Engineering Services and Project Execution	100%
UTE STURGEON	Engineering Services and Project Execution	100%	TR Branch Azerbaijan	Engineering Services and Project Execution	100%
UTE TR INTEGRATED GAS	Engineering Services and Project Execution	100%	UTE TR HARADH GAS COMPRES	Engineering Services and Project Execution	30%
UTE FORT HILLS	Engineering Services and Project Execution	100%	UTE TR ADGAS	Engineering Services and Project Execution	15%
UTE TR MINATITLAN	Engineering Services and Project Execution	100%	UTE TR BU HASA	Engineering Services and Project Execution	15%
UTE TRISA/AST. P. EBRAMEX	Engineering Services and Project Execution	33%	TRD DUQM PROJECT	Engineering Services and Project Execution	65%
UTE TRISA/AST. P. MINATR.	Engineering Services and Project Execution	33%	TR SHARJAH	Engineering Services and Project Execution	100%
UTE IGD	Engineering Services and Project Execution	100%	TR SINGAPOUR	Engineering Services and Project Execution	100%
UTE TR ETO	Engineering Services and Project Execution	100%	UTE TR BALONGAN	Engineering Services and Project Execution	100%

CONSOLIDATED FINANCIAL STATEMENTS FOR TÉCNICAS REUNIDAS, S.A. AND SUBSIDIARIES AT 31 December 2021

UTE FAHDILI	Engineering Services and Project Execution	100%	UTE TR JURONG	Engineering Services and Project Execution	100%
UTE HAIL	Engineering Services and Project Execution	100%	UTE MARJAN	Engineering Services and Project Execution	100%
UTE TR NAPHTHA RT	Engineering Services and Project Execution	100%	UTE TR MERCURY	Engineering Services and Project Execution	100%
UTE TR NEC	Engineering Services and Project Execution	100%	TR LEDCOR	Engineering Services and Project Execution	100%
UTE HASSI MESSAOUD PRJ.	Engineering Services and Project Execution	55%	UTE VEOLIA-HEYMO BREF CQP	Engineering Services and Project Execution	61.93%
TRSA India 37007	Engineering Services and Project Execution	100%	TR THAILAND BRANCH	Engineering Services and Project Execution	100%
EP UTE Hassi Messaoud	Engineering Services and Project Execution	100%			
UTE Heymo Inclam	Engineering Services and Project Execution	50%			
UTE Presas Miño	Engineering Services and Project Execution	25%			

CONSOLIDATED DIRECTORS' REPORT FOR 2021

Directors’ Report

1. Business performance

The macroeconomic environment

In 2021, the impact of the global pandemic caused by the COVID-19 pandemic continued to be strong. The various variants that originated throughout the year, especially the Delta and Omicron variants, had a significant effect on the development of many economic activities, delaying their expected recovery.

The implementation of vaccination campaigns worldwide has lead to 55% of the world's population receiving at least one dose. And this has allowed the impact of COVID-19's on health statistics to have been gradually reduced.

However, COVID-19 is still causing mobility restrictions and border closures in many countries around the world. These two factors, together with a significant increase in demand in many sectors, have a significant effect on the operation of supply chains with the resulting increase in raw material prices and the logistics chain.

The world economy continues to recover. According to data from the International Monetary Fund, the decline of 3.1% in 2020 was reversed to 5.9% growth in 2021 and it is expected that it will increase by 4.4% in 2022 and 3.8% in 2023.

The energy sector

The energy sector has been recovering together with the economy at large. Thus, the demand for oil that dropped to 80 million barrels per day in April 2020, reached 101 million barrels in December 2021, reaching pre-pandemic levels. As for natural gas, demand increased by almost 4% in 2021 compared to 2020, having also reached levels above the beginning of the pandemic.

The prices of energy commodities have reflected this evolution of demand. Oil has risen from USD 50 per barrel at the end of 2020 to USD 74 at the end of 2021 (with prices above USD 80 per barrel in recent months). As for natural gas, the Henry Hub price closed 2021 at USD 3.8 per MBtu (trading above USD 5 for several months), up from USD 2.6 in 2020.

Rising energy demand, the imbalance between demand and supply of traditional fossil fuels in some markets, and the prospects of a lower than expected impact of the pandemic have pushed prices up. And according to analysts' reports, this price level is likely to be sustained in the coming years. This is leading to increased investment activity by energy companies.

Técnicas Reunidas

This macroeconomic environment in general and in the energy industry in particular has had a double impact on Técnicas Reunidas' activity.

In operations, many of the projects rescheduled in 2020 due to the emergence of COVID (40% of the portfolio) remained in this situation in 2021. The rest of the active projects have progressed at a slower rate than desired due to the restrictions imposed by COVID management. Thus, from quarterly turnover levels of over EUR 1.2 billion prior to the pandemic, turnover levels have fallen to around EUR 700 million per quarter. In other words, 40% less for more than 18 months now. In addition to this drop in revenues, the efficient management of COVID led to an increase in costs, which in many cases is still under discussion with clients and that is reflected in Técnicas Reunidas' accounts.

However, the recovery of investment in the sector has resulted in a significant volume of awards in 2021, exceeding EUR 4,000 million. Moreover, this is a set of projects diversified by products and geographies, with a very attractive risk profile due to the different execution strategies, and in which Técnicas Reunidas has significantly reduced the risk associated with construction.

At the same time, the company continued its asset streamlining process with the sale of non-strategic holdings. In this regard, the sale of 100% of Técnicas Reunidas Australia, which holds 50% of the operation and maintenance contract for a desalination plant in Perth (Australia), was completed in 2021.

Main financial figures

The pandemic has had a major impact on the company's financial figures. Revenues in 2021 were down 20% to EUR 2.808 billion. The operating result was a loss of EUR 157 million and the net result recorded a loss of EUR 190 million.

The evolution of the result is explained by the rescheduling of the execution of 40% of the portfolio from 2022 onwards and the slowdown of projects in execution. In addition to lower sales, cost overruns were incurred in the efficient management of COVID, which could not be recovered to date.

On the other hand, the termination of the Teesside project, when it was 99.2% complete, had a negative impact of 98 million on the operating result. Técnicas Reunidas filed a complaint about this termination and initiated arbitration proceedings in international courts.

2021 ended with a negative net debt position of EUR 76 million. The slower speed of project execution has resulted in an increase in working capital, with a consequent impact on Técnicas Reunidas' financial position. With the slowdown in project execution since the onset of the crisis almost two years ago, project-by-project cash management is proving key to ensuring the continuity of the supply chain, both for the teams and for subcontractors.

Access to EU funds for strategic companies and companies affected by COVID

In mid-2020, the European Union launched a mechanism to help companies that were strategic prior to the appearance of COVID and that had been severely impacted by the pandemic. In Spain, these funds are managed by the Spanish State-Owned Industrial Holding Company (SEPI).

Throughout 2021, Técnicas Reunidas worked on getting access to this financing instrument, given its status as a strategic company in the Spanish engineering sector. The result of this initiative is the granting and disbursement in February 2022 of a financial package of EUR 340 million, structured into a participating loan of EUR 175 million and an ordinary loan of EUR 165 million.

This financial package is stabilising the company's operations in 2022 and strengthening the company's equity back to where it was before COVID.

Share performance

Due to the scenario of the energy industry caused by the pandemic, the entire oil and gas engineering and construction sector performed negatively in the market in 2021. The evolution of the share price of Técnicas Reunidas was no exception, suffering a 36% decline on the year as a whole.

With respect to shareholders' remuneration, due to the crisis situation that the sector has been experiencing in recent years, the resulting fall in profits that Técnicas Reunidas has experienced and the Company's objective of preserving its cash flow, the Board held to its decision not to propose the distribution of dividends in the 2021 General Meeting.

Main projects awarded to Técnicas Reunidas

The Group was awarded over EUR 4,000 million in projects in 2021. The main projects awarded during the year were:

- Sasa project in Turkey, formally signed in February 2021. This is a new petrochemical plant in Adana, Turkey, for the production of Purified Terephthalic Acid. The plant will have a production capacity of 1.5 million tonnes per year. The project represents a total investment estimated by the client at EUR 935 million, with the value of the Técnicas Reunidas contract included in this amount. The scope of the contract includes provision of the engineering, supply of equipment and materials, and supervision of construction.
- Expansion of the petrochemical complex for PKN Orlen, in Poland. The total investment will be EUR 1.8 billion, of which Técnicas Reunidas' scope amounts to approximately half, and it will consist of the installation of a new olefin production unit with a technology licence from KBR and a product recovery system. It will enable the integration of petrochemical operations with the production of clean fuels and will optimise the use of raw materials and resources in both processes. Técnicas Reunidas will perform the project in partnership with Hyundai Engineering, carrying out the engineering, procurement, construction and commissioning of the project. Both companies previously carried out the FEED of the project.
- The Advanced Methanol Amsterdam (AMA) project. This is a new bioethanol plant for GI Dynamics in the Netherlands, which will produce biomethanol by gasification of wood waste and non-recyclable household waste. The biomethanol will be blended with gasoline, contributing to the decarbonisation of transport. The contract includes the execution of the detailed engineering and the estimation of the investment in the form of 'open books' (FEED-OBE). With an estimated investment of over EUR 200 million, the future plant will have the capacity to produce 260 tonnes of bioethanol per day and will comprise high temperature gasification, acid gas recovery and methanol units.
- The development of the waste treatment unit at Gazprom Neft's Moscow refinery. The scope of the works, which will take 40 months to complete, includes the detailed design of the project, procurement

of materials and equipment, construction management of the new unit and its commissioning. With a capacity of 2.4 million tonnes per year, the new unit will increase the plant's conversion level by transforming waste streams into high quality fuels that will meet the highest environmental standards. The contract value amounts to the equivalent of approximately EUR 240 million.

- The Qatar Petroleum natural gas plant in Qatar. This investment will expand Qatar Petroleum's North Field onshore facilities. The project will take 41 months to complete and will increase storage and loading capacity for liquefied petroleum gases, which are by-products of the LNG liquefaction process. The initial value of the project is more than USD 500 million, although further extensions are planned. The value of these additional works would substantially increase the total amount of the project already awarded to Técnicas Reunidas.
- The petrochemical complex in Turkey for the Rönessans and Sonatrach joint venture. Promoted by Ceyhan Polipropilen Üretim A.Ş, a joint venture formed by the Turkish group Rönessans Holding and the Algerian company Sonatrach, it consists of a propane dehydrogenation plant for the production of polypropylene. The contract (engineering, procurement, construction and start-up) involves an investment of more than EUR 1 billion and has been awarded to a company formed by Técnicas Reunidas and the construction subsidiary of the Rönessans group itself. The scope of Técnicas Reunidas amounts to EUR 550 million. The project is in the process of being closed financially.
- A fuel hydrogenation unit in Latin America, a project that has already been awarded to Técnicas Reunidas, but has not yet been disclosed by the client
- A contract for ADNOC for the Dalma gas project, which is part of the Gasha concession, the world's largest offshore sour gas development. The contract covers the engineering, procurement and construction of the gas conditioning facilities and has been awarded to the consortium formed by Técnicas Reunidas and its local partner, Target. The total contract value is USD 950 million, USD 510 million of which correspond to Técnicas Reunidas.

Energy transition

2021 saw continued acceleration of the energy transition phenomenon, aimed at transitioning a greater share of the energy supply to non-carbon primary energy sources and the launching of investments with the objective of achieving a global supply of emission-free energy by the middle of the twenty-first century.

Major global institutions, multilateral agencies, industrial companies and financial entities have expressed their commitment to contribute to this zero emission scenario (net zero). The oil and gas industry is no stranger to this movement. On the contrary, the clients of Técnicas Reunidas have taken a very active position to be part of the energy transition, opening major lines of investment.

In this regard, in 2020 Técnicas Reunidas formed the Energy Transition Committee, under the Executive Committee, which coordinates the entire activity of the company in relation to the new energy scenario. The strategy of Técnicas Reunidas in this regard entails five pillars of action:

- Positioning Técnicas Reunidas in the financing markets as a company committed to the energy transition. In this regard, in 2021 Técnicas Reunidas configured a financing framework associated with the energy transition, taking the most demanding market standards as a reference. At the end of 2021, approximately 30% of the Técnicas Reunidas portfolio was included in this financing framework.
- Establishing continuous monitoring of the technologies necessary for the transition, with the aim of identifying additional business opportunities and capacity gaps to be completed.
- Defining the sales offer to maximise the activity of Técnicas Reunidas in this new technological environment.
- Analysing in depth the method for implementing these projects, minimising costs to ensure competitiveness.
- Structuring a communication policy to convey to the various stakeholders the capabilities of Técnicas Reunidas and its commitment to the new energy environment.

As a result of this commitment, the company's business activity was intense in 2021, with multiple opportunities in the portfolio linked to green hydrogen projects, carbon sequestration and capture and circular economy. Thanks to its in-depth knowledge of these technologies, Técnicas Reunidas is participating in decarbonisation projects and offers in other energy-intensive industries, such as the iron and steel and cement sectors.

2. Research and development activities

Técnicas Reunidas continues with its firm commitment to research, development and scaling of new technologies focused on energy transition. In this sense, initiatives of different types are particularly relevant in technological proposals associated with the development of high efficiency electrolysers, the recycling of glass fibre and carbon fibre, hydrogen production technologies, recycling of plastics and technologies for the extraction and recovery of critical raw materials essential for the energy transition.

At its José Lladó Technology Center, one of the most modern in Spain, where more than 70 people work between graduates and doctors of different disciplines, Research and Technological Development projects are developed. In addition, the centre provides development and scaling technology and technical assistance services, collaborates with the transfer of research findings between various public research centres, technology centres and Técnicas Reunidas, and promotes and participates in the development of cooperative research between companies.

The Technology Centre makes facilitates and boosts the company's participation in innovation and R&D activities. It has more than 5000 sqm of state-of-the-art facilities and equipment, which allow activities to be carried out at any level, from the laboratory to the pilot plant, as well as the creation of demonstration plants and even basic or advanced engineering of the selected option, completing the entire R&D&I value chain, from idea to industrial implementation.

Técnicas Reunidas' R&D expenditure in 2020 was more than EUR 4 million.

In 2021 Técnicas Reunidas continued to work on national and European research and development projects:

Hydrogen

- EVER: development of low-cost electrolysers for the production of green hydrogen based on anionic membrane technologies.
- SHINEFLEET: development of compact renewable and blue hydrogen generators for the heavy transport industry.

Circular Economy

- SEA4VALUE: EU project (H2020) to develop valuable metal recovery technologies from brine produced in desalination plants.
- DUST: development of technology for the treatment and direct recovery of steel dust, waste considered hazardous waste due to its high heavy metal content.
- RECYCLION: development of technology for the recycling of end-of-life batteries for electric vehicles with special emphasis on their sustainability, economic viability and integration into the circular economy of the value chain of lithium-ion battery manufacturers.

Critical Raw Materials

- REMSELAN: development of technology for obtaining rare earths (cerium, neodymium, praseodymium, lanthanum and europium) by separation and purification of lanthanum.
- BIORECOVER: European project (H2020) for the development of technology to recover rare earths and platinum from primary and secondary sources.

Biorefining

- WALEVA-TECH: development of technology for obtaining high added value products from lignocellulosic biomass waste.
- LEVAPLUS: development of technology for the valorisation of raw materials rich in C6 sugars via the production of carboxylic acids that serve as a chemical platform for obtaining chemical products, polymers or pharmaceuticals. There is currently a portfolio of business opportunities for the industrial implementation of these technologies in the coming years.

3. Capital structure.

The share capital consists of 55,896,000 shares with a par value of EUR 0.10 per share. There is only one class of shares and therefore they all have the same rights and obligations. There are no restrictions on the transfer of the shares.

Significant shareholdings are as follows:

Shareholder	2021 % Ownership interest	2020 % Ownership interest
Aragonesas Promoción de Obras y Construcciones, S.L.U.	5.10%	5.10%
Araltec Corporación, S.L.U.	31.99%	31.99%
Franklin Templeton Investment Management Ltd	3.00%	3.00%
Norges Bank	-	2.96%
Francisco García Paramés	5.15%	-
Álvaro Guzmán de Lázaro Mateos	3.49%	-
Ariel Investments. L.L.C.	3.01%	3.01%
Columbia Management Investment Advisers LLC	3.12%	3.12%
Other shareholders (including free float)	41.11%	46.89%
Treasury shares	4.03%	3.93%
TOTAL	**100.00%**	**100.00%**

4. Restrictions on voting rights.

In accordance with article 16 of the Articles of Association, at least 50 shares must be held in order to attend the General Meetings.

5. Shareholder agreements.

There are no agreements of this type.

6. Rules applicable to the appointment and replacement of Board members and to amendments to the Company's Articles of Association.

The Annual Corporate Governance Report provides a detailed description of these rules relating to the Board of Directors. The most relevant aspects are:

Articles 17 to 22 of the Board Regulations regulate the appointment and removal of the directors of Técnicas Reunidas; establishing that:

1. The Directors will be appointed, following a report by the Appointment and Remuneration Commission, by the General Meeting or by the Board of Directors in accordance with the provisions of the Corporate Enterprises Act.

2. The Board of Directors will ensure that the selection of candidates involves persons of recognised solvency, competence and experience.

3. In order to In order to fill an independent director position the Board of Directors may not propose or designate persons that hold any executive position at the Company or in its Group or that are associated through family and/or professional relationships with the executive directors, other senior executives and/or shareholders of the Company or its group.

4. Directors will be appointed for terms of four (4) years, notwithstanding the possibility that they may be removed early by the General Shareholders Meeting. They may be re-elected one or more times for equal terms at the end of their mandate.

5. Independent directors will cease in their positions when they have held the seat for an in interrupted period of 12 years as from the time of the listing of the Company's shares on the market.

6. Directors must place their offices at the disposal the board of directors and, at the board's discretion, formalise the resignation in the following cases:

   - When they cease to hold the executive position with which their appointment as Board members is associated.

   - When they become subject to any incompatibility or prohibition provided for by law.

   - When they receive any serious reprimand from the Board of Directors for failing to have carried out their duty as Directors.

   - When their remaining on the Board may jeopardise the Company's interests or when the reasons for which they were appointed no longer exist (for example, when a proprietary director disposes of his/her interest in the Company).

7. Powers of Board members, and in particular those relating to the possibility of issuing or repurchasing shares.

The Board of Directors has the usual management and representation powers, in accordance with the powers envisaged by the Corporate Enterprises Act, and it is the Company's highest decision-making body except in matters reserved to the General Meeting.

The Chair also holds the same powers as the Board of Directors (except for those established by Article 25 relating to the election of the Chair and the Vice Chairs, or those that cannot be delegated in accordance with the law or internal corporate regulations) and is considered to be the top executive at the Company by virtue of Article 28 of the bylaws.

Article 5 of the Board Regulations stipulates that the Board's functions regarding the powers relating to the possibility of issuing or buying back shares:

- The execution of the treasury share policy within the framework of the authorisation provided by shareholders at a general meeting.

- The approval of the Company's general policies and strategies, including the treasury share policy and particularly its limits.

- The approval of the Company's most relevant operating decisions concerning investments and shareholdings in other companies, financial transactions, contracting and staff remuneration.

8. Significant agreements entered into by the Company that may come into effect, be amended or terminated in the event of a change in control in the Company as a result of a takeover bid.

No agreements of this type exist.

9. Agreements between the Company and its administrative or management personnel that provide for termination benefits in the event of resignation or unfair dismissal or if the employment relationship ends as a result of a takeover bid.

There are agreements with one senior executive who, in the event of unfair dismissal, would be entitled to termination benefits as decided by the courts and in the event of a dismissal for objective purposes, redundancy or any other reason deriving from a decision taken by the Company, the termination benefits would total EUR 2,728 thousand.

10. Average period of payment to suppliers.

The average period of payment is as follows:

	2021	2020
Average period of payment to suppliers	110.0	87
Ratio of transactions paid	85	83
Ratio of transactions not yet settled	144	98

	2021	2020
Total payments made	2,181,864	3,270,992
Total payments pending	929,262	999,130

These figures relate to projects in multiple regions. With respect to Spanish suppliers, the Group may, as an exception, exceed the stipulated due dates in cases of invoices that do not comply with the terms of the agreement because they are not officially fulfilled, due to guarantees not being received or due to breach of other obligations of suppliers under the signed service agreement or order, or other reasons related to the normal performance of the transaction.

The calculation is made taking into account the date of registration of the invoice in the system. On that date, not all the invoices are due since they may not comply with the contractual requirements established. In addition, this debt is not enforceable in accordance with ‘paid when paid’ clauses.

11. Significant events after the reporting period.

On 18 February 2022, the Ministry of Finance and the Civil Service announced that the Council of Ministers had authorised the granting of temporary public assistance for the Técnicas Reunidas Group in the amount of EUR 340 million.

This authorisation came after the Board of Trustees of the Fund for Supporting the Solvency of Strategic Companies approved this loan.

This aid took the form of a participating loan amounting to EUR 175 million and an ordinary loan amounting to EUR 165 million. Both loans will have a term of four and a half years, with the possibility of early repayment. During the term of these loans, the Group has the obligation not to distribute dividends.

Both amounts were received on 24 February 2022.

The effect in 2021 if the SEPI funds are received, considering the participating loan as part of equity for corporate purposes, would be as follows:

	2021	2021 with SEPI
Borrowings	(742,885)	(1,082,885)
Net cash position*	(76,006)	98,994
Commercial equity	104,658	279,659
% Borrowings / Commercial Equity	709.82%	387.22%
% Net cash position / Commercial Equity	-72.62%	35.40%

*The participating loan is not considered in the calculation of the net cash position for the purposes of the covenants

At the date these consolidated financial statements were authorised to be issued, no subsequent significant events had taken place, in addition to those already mentioned in the previous paragraphs, which would need to be broken down.

12. Treasury shares

The treasury shares at 31 December 2021 represent 4.03% of the share capital (2020: 3.32%) of the Parent and total 2,250,434 shares (2020: 2,198,034 shares), with a weighted average price of EUR 32.56 per share (2020: EUR 33.26 per share).

13. Financial instruments

See Note 10 of the appended notes to the consolidated financial statements.

14. Alternative Performance Measures

Following the European Securities and Markets Authority (ESMA) guidelines on Alternative Performance Measures (APMs), Group management considers that certain APMs provide useful additional financial information that should be considered when assessing their performance.

Management uses these APMs when making financial, operating and planning decisions and to assess the Group's performance. Management presents the following APMs that it considers useful and appropriate for investor decision-making and that are most reliable about the Group's performance.

EBITDA

EBITDA ('Earnings before interest, taxes, depreciation and amortisations'): Management uses EBITDA as an indicator of the Group's capacity to generate profits, considering only its productive activity, eliminating amortisation and depreciation, as well as the effect of financial results and income tax. It is calculated by deducting the depreciation and amortisation expense and charges for impairment losses for the period from operating profit.

		Millions of euros Year ended 31 December	
		2021	**2020**
Revenue	Sales and other income	2,827.2	3,530.7
Operating expenses	Procurement costs, staff costs, other operating expenses, depreciation and amortisation, and impairment	(2,983.9)	(3,489.3)
Profit from operations	**Income - Operating expenses**	**(156.6)**	**41.5**
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	27.4	43.2
EBITDA	**Profit from operations, excluding depreciation and amortisation**	**(129.2)**	**84.7**

Group management also confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year. **EBIT** ('Earnings before interest and taxes'): this is an indicator of the Group's operating result without taking into account financial and tax results. Management uses this indicator as a complement to EBITDA in comparison with other companies in the sector. EBIT is equivalent to 'operating profit'. It has been calculated as follows:

		Millions of euros	
		Year ended 31 December	
		2021	2020
EBITDA	Profit from operations, excluding depreciation and amortisation	(129.2)	84.7
Depreciation and amortisation charge and impairment	Depreciation, amortisation and impairment	(27.4)	(43.2)
EBIT	**Profit from operations**	**(156.6)**	**41.5**

Group management confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year, other than as a result of the application of IFRS 16.

Net cash. Net cash is the alternative performance measure used by management to measure the Group's level of liquidity. It is calculated as the difference between 'cash and cash equivalents' plus 'financial assets at fair value through profit or loss' and 'borrowings' (excluding 'borrowings associated with rights of use of leased assets'). Cash and cash equivalents include cash on hand, demand deposits in banks and other short-term highly liquid investments originally maturing within three months or less. It has been calculated as follows:

		Millions of euros	
		2021	2020
Cash and cash equivalents	Cash on hand, demand deposits in banks and other short-term highly liquid investments maturing within three months or less	666.9	931.5
Borrowings	Non-current and current bank borrowings	(742.9)	(736.0)
Net cash	**Cash and cash equivalents, plus financial assets at fair value, less borrowings**	**(76.0)**	**195.5**

Group management also confirms that there has been no change in the definition, reconciliation or use of this indicator with regard to that used in the previous year.

15. Statement on Non-Financial Information

15.1. Business model

15.1.1. Description of the business model

The Técnicas Reunidas Group (TR) is dedicated to providing all types of value-added engineering and construction services for industrial plants for the sustainable production of clean fuels, natural gas and chemical products, services that range from feasibility studies or basic and conceptual engineering, to the complete execution of large and complex turnkey projects, including engineering and design, management of procurement and delivery of equipment and materials, construction of facilities and other related or linked services, such as technical assistance, construction supervision, site management, project management, commissioning and training, and offering technical solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 sequestration and capture, etc.).

These technical solutions enable its clients to develop their sustainability policies and meet their emission control targets through the construction and modernisation of highly energy-efficient industrial plants, thereby complying with regulatory requirements and voluntary commitments in this area.

The Company's business model is based on three fundamental principles that demonstrate TR's commitment to the development of its activity:

- The quality of the plants built by the Group, which makes TR one of the Groups with the best reputation in the market and guarantees a recurring flow of business from its regular clients.
- The flexibility manifested in its capacity to work under very different contractual structures, in diverse geographical environments and in plants of a very different nature. Along these lines, TR's capacity to penetrate new markets is excellent.
- It can constantly adapt to new environments, which in current times allows its rapid incorporation into technologies that require the transition to clean energy, as well as an immediate response to the change in the operating scenario driven by the digital transformation.

15.1.2. Organisation and structure

Appendices I and II to the financial statements contain the corporate structure of the Company.

15.1.3. Business Areas

Técnicas Reunidas, within its engineering and construction services activity, operates through different business lines. Its clean fuels and petrochemicals business lines are included in its sustainable growth activity, while its natural gas, circular economy, hydrogen and carbon capture and storage business lines are included in its decarbonisation activity.

- **Clean Fuels**: the Clean Fuels business line provides management, engineering, procurement, construction and commissioning services for facilities throughout the value chain for the production of fuels that meet the highest specifications (Euro V / Euro VI). These facilities convert waste streams into high quality fuels, optimising the use of natural resources. In addition, the Company has extensive experience in the design and construction of the most advanced technologies for clean fuel production processes. Similarly, TR offers its clients the possibility of modernising existing plants with the aim of improving their efficiency and making progress in the sustainability actions and commitments that they have decided to implement.
- **Petrochemicals**: the Petrochemicals line provides direction, management, engineering, procurement, construction and start-up services for facilities for the production of basic chemical materials for water distribution, the pharmaceutical, health or food industry, and the energy efficiency of buildings and transport systems, among others. Clean fuel production plants are being integrated with petrochemical operations, supplying both markets in an efficient and flexible manner and optimising the consumption of natural resources.
- **Natural Gas**: the Natural Gas line provides direction, management, engineering, procurement, construction and commissioning services for facilities throughout the supply chain, from natural gas production to regasification terminals, as natural gas is a key fuel for advancing decarbonisation objectives. In this regard, TR has designed and built all types of facilities, from production facilities in natural gas fields, to treatment and processing plants, compressor stations, liquefaction, storage tanks and final regasification facilities.
- **Circular economy**: the circular economy lines, Bioenergy and Biochemicals, provide similar services to the other lines for the production of biomethane and the conversion of biomass and waste into fuels (biodiesel, bio-kerosene) and chemical products (bioethanol, biomethanol), electricity and steam. Técnicas Reunidas is actively involved in structuring projects in these technologies for their integration into existing value chains.
- **Hydrogen**: the Hydrogen line provides similar services to the other lines for the production of hydrogen, considered one of the cornerstones of a future clean, safe and affordable energy system. Técnicas Reunidas is actively involved in structuring projects for green hydrogen (produced by electrolysis of water with renewable energies), blue hydrogen (produced by capturing carbon in the reforming of natural gas) and green ammonia from green hydrogen. Green ammonia is used in fertiliser production and will be used as a fuel in shipping.
- **Carbon Sequestration and Storage**: the Carbon Sequestration and Storage line provides similar services to the other lines for carbon capture in industrial processes in energy-intensive activities, such as the production of clean fuels, the chemical industry, the cement industry and the iron and steel industry. Técnicas Reunidas implements carbon capture plants in these industrial processes. The captured carbon is subsequently taken to specialised infrastructures for final storage or converted into synthetic fuels. Significant activity is expected in this market, as other decarbonisation alternatives are not easy to implement in these energy-intensive plants.

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

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

15.1.4. Business environment and markets

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

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

Diversification by product and geographic area allows TR to address new opportunities that may arise in connection with its activities.

To supply a growing demand for energy, clients need to make investments, and TR is well-positioned and has the credentials demanded by investors and proven over sixty years of worldwide experience and in particular, in regions where most of the investments are likely to be made.

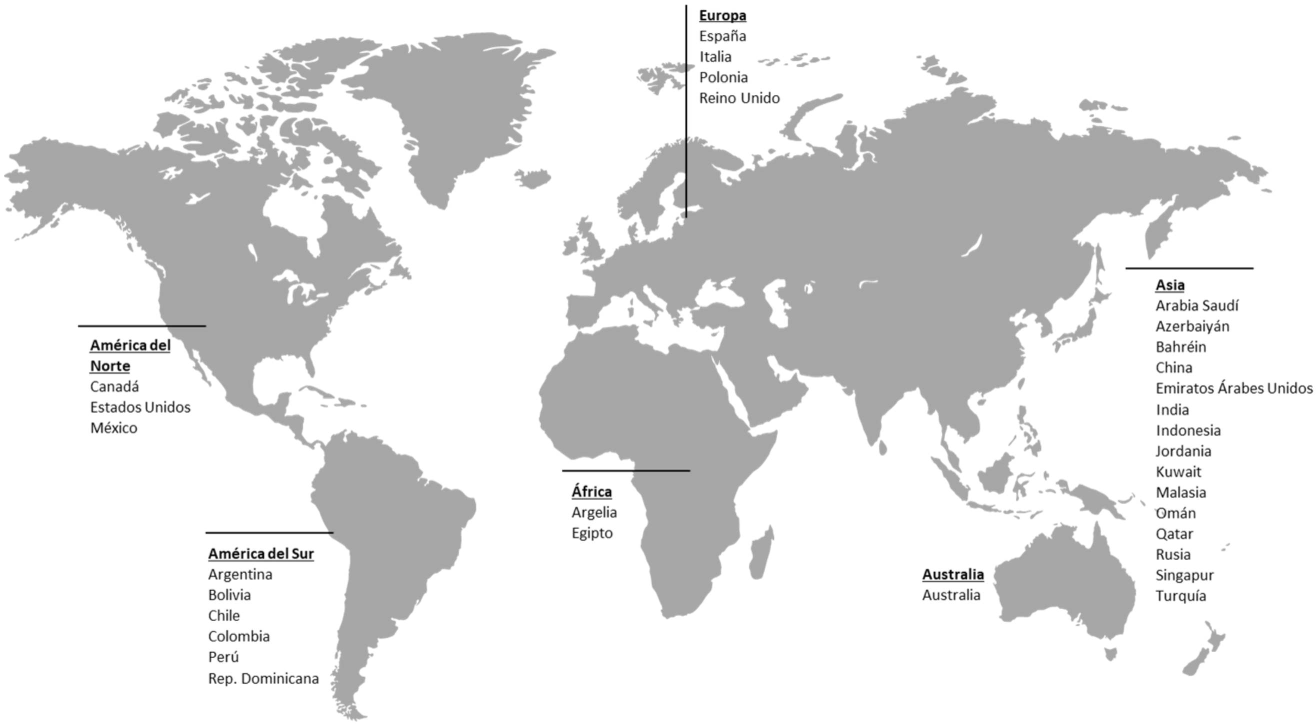
In 2021, market conditions were influenced by the COVID-19 pandemic. The appearance of the COVID-19 coronavirus in China at the end of 2019 and its global expansion during 2020 and 2021, with new variants such as Delta and Omicron, has had a very long and relevant impact on the execution of TR's projects, which prioritised the health of its workers from the start of operations, in full coordination with clients. Despite the advances made regarding vaccines in several countries around the world during the first half of 2021, the emergence of new variants such as those mentioned above delayed the return to normal economic activity. The measures implemented have affected and continue to affect the pace of project execution, which is slower than initially planned, as some clients opted to reschedule the tendering or execution of projects. Nevertheless, TR was awarded a significant number of contracts in 2021, having been awarded important projects for first-tier clients and a year-end order book of more than EUR 10 billion.

These awards are in line with the forecasts of international organisations, which conclude that global demand and energy consumption will continue to grow in the medium to long term.

To supply a growing and environmentally sustainable demand for energy, investments must be made in establishing, upgrading and improving the efficiency of existing facilities, where TR is well positioned and has the credentials required by investors, the technical capacity and sixty years of proven experience worldwide, particularly in those geographies where most of the investments are expected to take place.

Likewise, TR is well positioned, thanks to its leadership in the face of climate change, the diversification of its activities, and its adaptation to new trends that go beyond just legal matters. This enables the Company to take advantage of the opportunities that will arise from increased regulatory pressure on environmental issues, as it has the technology and solutions to help its clients meet these growing environmental demands. This diversification of activities focuses on collaboration with clients in terms of environmental improvement of facilities: production of clean fuels, natural gas and chemical products and a wide range of solutions linked to sustainability, the circular economy, energy transition and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 sequestration, etc.).

LIST OF MARKETS WHERE TÉCNICAS REUNIDAS OPERATES



ES	EN	ES	EN
Europa	**Europe**	**Asia**	**Asia**
España	Spain	Arabia Saudí	Arabia Saudí
Italia	Italy	Azerbaiyán	Azerbaiyán
Polonia	Poland	Bahréin	Bahrain
Reino Unido	UK	China	China
		Emiratos Árabes Unidos	United Arab Emirates
América del Norte	**North America**	India	India
Canadá	Canada	Indonesia	Indonesia
Estados Unidos	United States	Jordania	Jordan
México	Mexico	Kuwait	Kuwait
		Malaysia	Malaysia
América del Sur	**South America**	Omán	Oman
Argentina	Argentina	Qatar	Qatar
Bolivia	Bolivia	Rusia	Russia
Chile	Chile	Singapur	Singapore
Colombia	Colombia	Turquía	Turkey
Perú	Peru		
Rep. Dominicana	Dominican Republic	**África**	**Africa**
		Argelia	Algeria
		Egipto	Egypt
		Australia	**Australia**
		Australia	Australia

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

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

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
TRENDS	Models of Contracting and execution models that spread client chargers (milestone billing rather than progress payments, reduction in prepayments, delays in resolving claims and high level of warranties). Increased tax burden from governments to offset deficits. Volatility of certain emerging market currencies. Evolution of the USD, TR's reference currency. Increased perception of risk by financial institutions with regard to the engineering sector. Uncertainty regarding the evolution of the economic cycle.	Uncertainty regarding the evolution of oil prices, with knock-on effect for investment decisions and execution of projects. Uncertainty arising from the increase in raw material prices and transport costs. Geopolitical uncertainty: Middle East, Russia, the United States, China, the United Kingdom, Latin America and North Africa. Habitual use by of turnkey contracts by clients, transferring greater risks to the contractor. Increased competition in turnkey projects. Increased client and subcontractor litigation. New demands from clients in the execution structure of projects (e.g.:	Adaptation to occupational safety requirements established by the countries where construction projects are carried out. Increased demand from clients regarding the qualifications and requirements of onsite personnel with health and safety responsibilities. Need for more practical works-oriented training programs. Incorporation of new technologies for improved performance and monitoring of safety and health projects. Adaptation to the safety and prevention requirements required by the health institutions of each country in relation to COVID-19.	Growing concern from clients regarding the sustainability requirements of projects. Stricter environmental and social requirements from entities such as clients, World Bank, financial institutions or accredited certification bodies. Assessments by financial institutions with increasingly stringent social and environmental requirements. Increased regulatory pressure. Commitment to process units with highly efficient designs, oriented towards carbon capture, minimisation of emissions and reuse of waste, supporting the circular economy model.

	OECD regulation on taxation (BEPS) Cash preservation policies for clients.	joint ventures or revamping). Postponement of critical negotiations with clients and suppliers to the final stages of the project. Need for clients to find financing for their projects. Focus on process units with highly efficient designs, oriented towards carbon capture, minimisation of emissions and reuse of waste. Rescheduling of ongoing projects as a result of the evolution of the pandemic and the increase in oil prices. Trend toward prioritising gas use over oil. Certain countries' commitment to petrochemicals and circular economy proposals. Greater use of digital technologies as a more efficient alternative to traditional physical presence.		

HOW IS TR PREPARED?	Maintenance of available lines of financing. Customer and supplier management (collection and payment periods, discounts, confirming). Development of policies for allocation of profits to the countries where they are generated (BEPs). Currency hedging policy by using forwards. Development of a highly diversified pool of banks, with greater presence of local banks.	Continuing to monitor the actions to optimise the structure and improve the efficiency arising from the TR-ansforma plan. Geographic and product diversificatio n. Experience in sustainable markets. Selective management of potential projects. Closer integration with clients from the initial phase onwards. Technical capacity and proven experience carrying out highly complex designs.	Implementation of a Compliance System that covers, among others, environmental, health and occupational safety risks (HSE) and criminal risks. Training in international health and safety standards aimed at project managers. Stronger collaboration between human resources and the departments involved in the construction phases. Acquisition of specific software and migration of periodic reports.	Strengthening the system for evaluating the social and environmental compliance of local suppliers. Conducting internal audits on environmental and social matters. Identification and monitoring of environmental risks and opportunities. Strengthening the system for evaluating the social and environmental compliance of local suppliers.

	Rescheduling of project execution schedules and margin generation. Extension and diversification of liquidity sources. Finding mechanisms to strengthen the Company's capital and liquidity structure (SEPI).	Consolidated know-how and work procedures. Knowledge of suppliers and collaboration with relevant suppliers and subcontractors . Knowledge of the local markets where the Company executes its projects. Alliances with competitors for specific projects. Leverage based on proprietary technologies. Strengthening of legal team and involvement in the various project implementation stages. Providing support to clients in finding sources of financing for project implementation, including bank financing covered by export credit insurance provided by Export Credit Agencies (ECAs). Flexibility and responsiveness in adapting to local requirements and constraints, as well as changes in scheduling. Adaptation of its commercial and	Organisation of meetings with critical suppliers to discuss safety issues. Linking 10% of the executive director's variable remuneration to health and safety aspects. Establishment of the COVID-19 Monitoring Committee, and implementation of specific measures to minimise the effects of the pandemic on workers.	Linking 10% of the variable remuneration of the executive director to environmental aspects. Leading the way in the area of sustainability and climate change trends. Diversification of activities focused on decarbonisation.

		operational structures to optimise the likelihood of being awarded contracts and immediately starting project implementation. Recasting of the Company's Risk Control System in order to have Predictive Analytics for key execution decisions. Enhancing the economic focus of the operation and its projects. Simplification and adaptation of Reporting and Management Control to the new reality of Técnicas Reunidas, monitoring the economic performance of the Projects with key P&L and Cash reports.		

	SUPPLY CHAIN AND OUTSOURCING	INNOVATION AND NEW TECHNOLOGIES	GOVERNANCE AND SUSTAINABILITY	HUMAN RESOURCES
TRENDS	Increased the importance of sharing processes and management techniques in the supply chain with multicultural and sector companies. Decline in demand, which can reduce the capacity and quality of the supplier market and lead to a growing financial risk linked to increased non-conformities in quality and supply delays. Growing geopolitical uncertainty. Volatility of commodities and currencies. Selection of competitive construction and assembly companies. Protectionism of companies towards local staff. Increased supplier litigation. Delays in the global supply chain.	Importance of digitisation and the use of new technologies to increase efficiency, ensure swifter client responses and reduce costs, among other reasons. Focus on raw materials and especially on certain critical or strategic raw materials for relevant sectors such as telecommunications, defence and aeronautics, and energy. Sustainability, environmental legislation, circular economy etc. as clear business opportunities for the development of technologies related to waste management. Emission reductions in the nitric acid plant regulations for greenhouse gases (NO_x, N_2O). Improved recovery of effluents with high nitrate content in ammonium nitrate plants in order to minimise soil contamination risks.	Quantitative and qualitative increase in the disclosure of non-financial information. Classification of the global activities of the economy under the Taxonomy criteria. Entry into force of the European Taxonomy regulation. Increased compliance requirements, including anti-corruption, anti-fraud, anti-money laundering and countering of terrorist financing. Impact on diversity in the management bodies of companies. Intensifying activity of corporate governance bodies and need to strengthen internal control and risk management systems, including criminal risks. Need to ensure equitable treatment of	Demand from clients for increasingly skilled human resources to master not only the technical aspects but also management, monitoring, safety and quality assurance skills. Consolidating the internationalisation of the Company's business. Increasingly high demand for maintaining criteria on flexible work hours and work/family balance.

		Establishing lines of collaboration with clients, partners, suppliers and subcontractors. Increasing importance of technologies aimed at energy transition (e.g. green hydrogen and decarbonisation). Use of by-products derived from energy transition technologies such as hydrogen-derived green ammonia and ammonia by-products such as nitric nitrate. Growing client requirements due to the emergence of the ‘digital twin’ concept and its implicit data standardisation.	shareholders and take the concerns of other stakeholders into consideration. Particular attention to CSR and sustainability-related matters. Special consideration of sustainability as an aspect of the decision-making process. Increased requirements for all stakeholders in the fight against corruption and fraud, including anti-money laundering and countering of terrorist financing. The need to have highly technically qualified resources with strong management skills, client orientation capacity and results. Supervision of the implementation of the Criminal Compliance Management System by the Audit and Control Committee.	

HOW IS TR PREPARED ?	Development of technological tools for supply chain management, global and adaptable for use by other Group companies in different locations. Strengthening synergies report with greater focus on the supplier's financial situation. Implementation of historic material price indicators during the tender process, together with spot market correction factor Maximising the use of insurance to minimise commodities volatility. Directing and controlling the activities of assembly and construction subcontractors, at micro-management levels where required. Expanding and updating the Company's worldwide database of subcontractors. Conducting technical and physical analyses to ensure subcontractors' abilities to perform construction works. Subcontracts oriented to	In-house developments in all areas of work and in relation to the energy transition (e.g. green hydrogen, CO_2 capture and recovery). Strategy in the field of digitisation to strengthen competitiveness, adapt to client demands and optimise processes. Specialists in the management of R&D+i and know-how in the development areas. Offering optimal technical solutions for the development of efficient industrial plants that enable clients to implement their sustainability and emission control and reduction strategies. Strengthening of the José Lladó Technology Centre, with specialised capabilities and resources in strategic lines of research. Contact with suppliers of catalysts to implement treatments for minimising greenhouse gases in nitric acid plants. In-depth analysis of projects to	Adoption of new regulatory compliance policies. Creation of a multidisciplinary European Taxonomy Committee, reporting to the Sustainability area, which classifies all the Company's activity in accordance with the criteria of the regulations. Enhancing sustainability actions both at global level and in the projects executed through the Sustainability Policy and the Sustainability Plan, which include both the global principles of action and numerous specific and coordinated actions among the various areas and departments of the Company Reviewing the Policies and procedures that make up the Compliance Management System. Policies and commitments that reinforce the commitment to diversity, such as the Policy for the Selection of Directors and Diversity on the Técnicas Reunidas Board of Directors. Consolidation of the role of the Board	Increased emphasis on training geared towards management skills and competences. Continuous training in technical aspects, innovation and know-how. Globalisation of Human Resources management hand-in-hand with the departments and projects concerned. Multi-country management: adaptation of internal policies to local labour and tax regulations, as well as to the culture in the target country. Development of tools to continuously analyse the labour market and locate availability of highly-qualified professionals. Allocation of key personnel during the implementation phase of the project design. Continuing analysis of the national and international labour market to attract and retain the best professionals in the sector. Making working hours flexible to allow better reconciliation of personal and working life, as well as personalised treatment of

	workshop works by prioritised categories, such as; metallic structure, piping, etc. Implementation of remote systems that make it possible to digitalise processes such as workshop inspections, reducing costs and time.	plan their management throughout the implementation period. Introduction of virtual reality in project design and implementation. Continuing technological surveillance and economic intelligence. Agreements with electrolyser and ammonia technologists to complete the production chain with proprietary nitric and nitrate ammonia-derived technologies, while maintaining an active presence in the industrial ammonia plant business.	committees, mainly in non-financial information, and consolidation of the Risk and Management Committee. Continuous development and adaptation of internal documents aligned with best practices of corporate governance. Supervision by the corporate governance bodies of tax and information security risks. Reinforcing communication channels with key stakeholders. Reporting and verification of sustainability information in accordance with the highest standards. Ongoing adaptation of the Regulatory Compliance Management System and the prevention of criminal risks, and its supervision by the Audit and Control Committee. Incorporation of parameters linked to sustainability in variable remuneration: 20% of total remuneration, 10% linked to environmental aspects, and 10% to health and safety aspects.	requests for adapted working hours for family reasons.

			Reviewing third parties to determine whether they have a culture of regulatory compliance, especially in the area of corruption and fraud prevention Supervision by the Audit and Control Committee of the development and implementation of the Criminal Compliance Management System. Third-Party diagnosis of the suitability of the existing compliance management system with proposals for improvements where appropriate, especially in the area of corruption and fraud prevention. Supervision by the Audit and Control Committee of the development and implementation of the Criminal Compliance Management System.	

15.1.6. Objectives and strategy

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

a. Methodology:

The methodology is based on the development, systemisation and proper use of all the know-how that TR has acquired since 1960 executing projects around the world. This commitment to the methodology makes it possible to develop the efficiency of the work processes, an aspect that TR has been emphasising in recent years. In this pillar, both the excellent human capital of TR, with highly qualified professionals, and the innovation and digitalisation of work methodologies are essential. These aspects are part of TR's DNA, which allows it to have the necessary technical solutions and human capital to provide its clients with high added value services that enable them to meet their sustainability objectives, in particular those related to the reduction of emissions from their production centres.

b. Diversification:

TR diversifies its client bases, products and geographical areas, contributing to sustainable growth and an effective energy transition. In turn, the Company has clients of recognised prestige who assist in consolidating its presence in the market and their business is highly recurring.

c. Quality:

TR’s emphasis on the quality of all its processes (which requires selecting the right suppliers and subcontractors) guarantees the execution of every project in accordance with client’s needs and requirements, especially with regard to sustainability aspects.

d. Safety:

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

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

General Secretariat Objectives	- Implement the Sustainability Plan, in particular those actions to be developed in the short term, under the coordination of the Sustainability Department. - Approve policies for the development of the Company's Corporate Governance system. - Maintain a high percentage of votes in favour of the items on the agenda of the General Meeting of Shareholders of the Company. - Approve a new Remuneration Policy for the Company's Directors. - Form an Internal Non-Financial Information Oversight System (SCIINF) to ensure the quality of the non-financial information published by the company. Objective for 2022 and 2023. - Establish a methodology or model for the quantification and management of ESG risks, which makes it possible to have a map of ESG risks according to their impact and probability of occurrence.
HR Objectives.	- Implement an Equality Plan negotiated and agreed with employee representatives, which is uniform for all companies in the TR Group. - Continue to provide HR support in the process of operational integration of the different divisions and companies of the TR Group. - Extend the scope of the remuneration policy based on a flexible remuneration system and management by objectives. - Establish a Job Evaluation system to serve as the basis for the remuneration policy and talent development and retention plans. - Implement and extend the policy of uniform and consensual expatriation conditions to all TR Group companies. - Attract and retain talent to cover staffing needs in all areas of the Company and to respond to the significant workload in 2022.
Environmental Objectives	- Conduct a detailed analysis of projects with the aim of reporting on good environmental practices and their commitment to the Sustainable Development Goals. - Fulfil the objectives set out in the Sustainability Plan in relation to the environmental area. - Promote the use of collaborative and digital platforms that contribute to the reduction of the carbon footprint. - Implement measures to promote energy efficiency, such as the use of smart systems and the development of employee awareness raising campaigns. - Develop a circular economy strategy within the framework of the company's Sustainability Policy. - Report in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) - Extend the diversification of Técnicas Reunidas' activities in the field of decarbonisation.
Energy Transition Objectives	- Continue to advance and increase the number of research projects in the field of energy transition and present projects for funding in the tenders for PERTE, Horizon, Innovation Funds, etc. - Collaborate with a team of national and international technologists and experts (with whom collaboration agreements could be reached) and with the Técnicas Reunidas sales team in the active search for opportunities, such as consultancy services in the field of energy transition, both in number and diversity, attracting new companies not focused on the oil&gas sector and less traditional Técnicas Reunidas clients.

	- Participate in tenders for energy transition projects and bid for turnkey projects related to green or blue renewable hydrogen. - Position TR as a leading company in the field of energy transition. - Boost TR's image through its participation as an expert in forums or other channels for the dissemination of technologies and businesses associated with the energy transition. - Carry out more active internal communication to disseminate activities related to the department within the company.
Innovation Objectives	- Develop the basic engineering for a new 150,000 t/a production line at the Skorpion plant, as well as the revamping of the current Skorpion plant in Namibia, including in both cases the LIP4CATTM and ZINCEXTM technologies. - Continue with the development of technologies in the strategic line of circular economy (solid urban waste, electronic components, plastics, industrial effluents, etc.) - Continue to develop electrolyser technology for the production of green hydrogen (AEM electrolysers and SOEC electrolysers) and contribute to the decarbonisation of industrial activities through the use of blue hydrogen (Celsa and Arcelor). - Continue to develop technologies for obtaining and recovering critical raw materials essential for the energy transition such as lithium, cobalt, rare earths, etc. - Develop pyrolysis projects to recycle carbon fibre and glass for wind turbines. - Finalise the development of the KPI Global application to provide the Company with better decision-making capabilities. - Set up two permanent innovation hubs. - Define and launch the Data Governance project to improve data management by incorporating artificial intelligence. - Work on the preparation of applications for EU projects focusing on energy transition and the circular economy. - Continue to implement the portfolio of active development projects (Shinefleet, FusionFuture, Hymet, Undergy, Zeppelin). - Agree with catalyst suppliers on the possibility of using high-efficiency tertiary N2O abatement catalysts. - Start implementation of the Task Intelligence and Power BI Access Point tools. - Reactivate the WPA tool and implement the Smart Construction 360, Walk & Punch and Connected Work tools in the CRISP project. - Implement the Vendor App tool in the SASA and SOCAR projects. - Implement the Digital Twin and Connected Work tools in the QatarGas project. - Develop the TRIA (Artificial Intelligence), NPL (Natural Language Processing) and Compliance App tools. - Develop a Data Lakehouse.
Financial Objectives	- Close the Preliminary Agreement with the Tax Agency. - Obtain liquidity mechanisms associated with EU plans, the COVID-19 situation and the energy transition. - Continue to negotiate bilateral and syndicated guarantee lines for project execution. - Reinforce proactive communication with the market. - Monitor the process of implementing the company's efficiency plan. - Continue to seek mechanisms to strengthen the company's financial lines. - Align business segmentation to sustainability and energy transition lines of activity.
	- Continue digitisation of the third-party integrity assessment procedure for Compliance. - Finalise the robotic process automation (RPA) process already underway and identify new repetitive processes to be automated.

Procurement Objectives	- Improve, update and identify tools to reduce analogue processes and generate greater traceability and efficiency in their monitoring and execution. - Implement a digital platform that will improve the supervision of the work of Inspection Agencies and subcontracted inspectors, through audits and qualification exams for the jobs to be assigned. - Establish framework agreements with suppliers, inspection agencies and strategic forwarders. - Implement actions linked to the procurement area within the framework of the Sustainability Policy. - Start the process of assessing third parties in the area of cybersecurity and privacy through e-Supplier. - Finalise the unification of work procedures and methodologies following the merger of Initec with Técnicas Reunidas. - Explore new options for subcontracting special heavy cargo shipments. - Strengthen centralised purchasing and the development of local purchasing in the final phase of projects. - Minimise the impact of the volatility of raw materials on the price of equipment through adequate market monitoring and the use of hedging mechanisms.
Construction Objectives	- Conclude the review of corporate procedures as part of the integration process. - Complete the IT developments in progress, in particular the HCS web developments and the automation of SQs, MRFs and OSDs and the automation of the generation of loop and pipeline packages. - Promote the recruitment and training of young professionals. - Continue to strengthen the coordination of final purchases and the improvement of the management of surplus material stock. - Start robotic process automation (RPA).
Health and Safety Objectives	- Fulfil the objectives set out in the Sustainability policy in relation to safety on site. - Continue to promote the health and safety culture plan, including campaigns to raise awareness among employees. - Promote actions aimed at making Técnicas Reunidas a healthy company. - Give greater visibility to good HSE practices on construction sites within the company and promote the TR (HSE) brand to the outside world, including optimisation of the on-site HSE auditing process. - Improve health and safety protection for workers, taking into account the circumstances arising from COVID-19. - Continue to expand the control of the effectiveness of HSE management systems in construction, with the inclusion of new performance indicators such as the control of Work Permits (Plan the Work, Work the Plan). - Review the communication protocol that ensures that all projects receive the actions and lessons learned from the company's severe and potentially severe incidents.
Regulatory Compliance Unit Objectives	- Review and update the policies of the criminal compliance management system to bring them in line with international standards and best practices, based on the internal diagnostic work carried out in 2021. - Obtain compliance statements for senior management on the revised key compliance policies following the internal diagnostic. - Establish a continuous anti-fraud and anti-corruption training programme. - Continue with the deployment of the regulatory compliance function in those geographic areas that, due to volume and business continuity, require it. - Implement a management tool that enables efficient monitoring of the matrix of criminal risks and controls in the areas of the organisation affected by these risks. - Reinforce the Due Diligence procedure, mainly in local operations.

	- Review and update the policies, training and effectiveness of the criminal compliance management system to bring it in line with international standards and best practices. - Review and approve the organisation-wide Criminal Compliance Policy. - Update the Corporate Code of Conduct based on best practices in the organisation's sector of activity. - Reassess Criminal Risks, based on organisational changes and new areas of activity. - Establish a global anti-fraud policy.
Social Objectives	- Ensure a high percentage of local procurement and outsourcing. - Keep a determined effort to contribute to the development of local communities. - Execute the actions planned for 2022 in the Sustainability Plan.

15.2 Risk factors (non-financial) associated with the business

Técnicas Reunidas has the necessary tools and procedures to help it identify, prevent, minimise and manage the risks associated with its activity. In this regard, the Company has a comprehensive methodological risk management framework covering all areas and projects in which it is involved.

Using this comprehensive framework, TR prepares a catalogue of the key risks identified in accordance with the COSO 2013 methodology.

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

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

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

Risk	Description	Main risk management and mitigation mechanisms
Changes in project costs.	Several factors may give rise to a change in project cost estimates in turnkey projects (the complete price is closed at the start while execution costs may change), such as the volatility of raw material prices, changes in project scope, performance by construction and assembly subcontractors on time and with required quality, litigation by clients or suppliers, geopolitical decisions with an immediate impact or weather conditions, among others. The COVID-19 and post-Covid environment has increased the impact of all these factors. The assessment of all these factors implies a high level of judgement and estimates. Failure to comply with delivery deadlines may result in having to pay compensation to clients.	- Development of new contracting methods to mitigate risks. - Inclusion of indemnity clauses in contracts with suppliers and subcontractors. - Intense acquisition during the first few months of execution of key equipment with a high level of price sensitivity for raw materials. - Use of derivatives that allow the acquisition of certain essential raw materials and equipment in instalments. - Distribution of execution of work among several subcontractors from an early stage of the project. - Increased supervision of construction and assembly subcontractors. - Inclusion of contingencies for deviations in budgets. - Reliance on opinions of external consultants in the preparation of estimates and judgements. - Close monitoring of project execution deadlines to detect delays, which allow acceleration and penalty risk mitigation mechanisms to be implemented.
Changes in the price of crude oil.	The price of crude oil, in addition to other factors, affects the investment, award and execution decisions of the Group's clients and suppliers, competitors and shareholders. The Group's commercial activity is conditioned by the investment efforts of our clients.	- Predomination of NOCs (national oil companies) over IOCs (independent oil companies) in the portfolio (which include factors beyond purely financial considerations in their decision-making, such as geopolitical and social criteria). - Diversification of products and geographical areas. - Mitigation of negotiation risks with clients and suppliers by the early detection of those matters that may represent a change in the contractual price.

Execution of projects in multiple geographical areas.	TR's projects are developed in multiple geographies, each of which presents a different risk profile to mitigate: political and social tensions, locations with limited access, limited legal certainty, local content requirements, potential double taxation due to execution from several jurisdictions simultaneously, increasing tax burden in all geographies where the Group operates, or complexity of the margin allocation process in projects developed simultaneously in multiple geographies, etc. Performance of projects for the first time in a certain geographical area increases the risk of deviations in margins.	- Project selection based on a detailed analysis of the client and country (establishing a local presence prior to bidding), and other aspects such as project-specific margins and risks. - Analysis of the tax implications of the projects, always with the advice of reputable top-level firms, and monitoring of the regulations and VAT position of the projects. - Use of modular construction methods in locations with limited labour availability or where the site conditions allow for savings compared with other options. - Where possible, TR includes the resolution of disputes at courts or in arbitration in countries where it has prior experience. - Where possible, the Group's contracts include clauses that allow prices to be changed in the event of amendments to laws. - Flexibility to adapt to domestic content requirements. - Development of BEPS policies. - An Internal Group Tax Risk Manual that establishes the Group's tax strategy and internal tax risk management procedures, which includes training actions and internal investigation plans. - In the bidding phase, tax strategies are defined that minimize risk with local advisers, including in the Group's usual markets. - In the execution phase, the tax settlements presented were monitored, with the support of local advisers and events or deviations from the initial strategies were identified with the aim of correcting them with the support of the Operations area.
Concentration in a low number of clients.	At certain times the portfolio may feature a high concentration in a low number of clients and suppliers in certain countries.	- Concentration only in markets in which the Group has sufficient prior experience. - Diversification policy that allows TR to access very different markets. - Deployment of relevant commercial action with new clients in markets in which TR does not yet have a presence. - Atomisation and diversification strategies for construction with local and international suppliers.

Environmental and safety requirements.	TR carries out projects where incorrect performance entails high risks of impact on the environment or health and safety risks. The Company works to control and minimise those risks by collaborating with its clients, subcontractors and suppliers in this area.	- The existence of a Sustainability Policy and Plan and the implementation of measures consistent with it. - The existence of an Environmental and Safety Management System in TR in accordance with ISO 45001 certification. - Assurance of environmental management from the engineering phase. Extension of this assurance to suppliers and subcontractors through audits and training. - Reinforcement of the safety of processes from the design phase. - Promotion of occupational safety at suppliers and subcontractors. - Update the HSE Policy (ISO 45001 and ISO 14001), introducing concepts of sustainability, consultation and participation, and well-being and health.
Economic variables.	Certain economic circumstances (changes in exchange rates, interest rates, availability of financing, taxes, etc.) can have an impact on TR's business and profits. Period of geopolitical tensions with high impact on economic variables. High weight in our clients' decisions of the entities or organisations that finance their investments. Financial institutions have increased their perception of risk in the sector in recent years, and they are now more conservative in their support for it.	- Continuous monitoring of the risks associated with currencies and the arrangement of foreign currency hedges. - Management of a solid balance sheet and availability of adequate financing lines, including those supporting strategic companies managed by the Spanish State-Owned Industrial Holding Company. - Mitigation of the risk of lack of liquidity of clients through active involvement in their financing processes, through banks that support the transactions in which TR participates, as well as through the use of export insurance through banks that support the transactions in which TR participates, and direct contact with the institutions financing its clients, as well as through the use of export insurance.
Information technology.	As the Group's digital presence has increased, the risk of intrusions into its systems by cybercriminals has increased.	- Information Security Management System certified in accordance with ISO 27001:2013. - Employee training on cybersecurity matters. - An Information Security Committee has been created to analyse the development of the Strategic Cybersecurity Plan, the results of the audits and the main risks faced and measures taken.
Retention of key personnel and adaptation of resources to the workload.	The loss of key personnel, as well as gaps in their training, may increase the risk of not executing projects adequately. Furthermore, the excessive concentration of projects or delays may give rise to inefficiencies in personnel management. On the other hand, the Company is faced with fewer available qualified personnel due to the increased demand worldwide in areas such as renewable energy and infrastructure.	- Procedures to identify essential employees that must be retained and the application of policies that contribute to their retention. - Implementation of a flexible human resource structure to adapt swiftly to market changes. - Global management of human resources to unify the criteria applied at the various subsidiaries.

Integrity and reputation.	Improper or irresponsible behaviour by employees or other third parties with which the Group collaborates (suppliers and subcontractors) may negatively affect the reputation and results obtained by TR.	- Internal regulations and training to guarantee the proper behaviour of professionals and the availability of a Code of Conduct and a whistleblower channel. - Requirement for suppliers and subcontractors to comply with environmental, human rights, health and safety, anti-corruption and anti-fraud requirements.
Suppliers and subcontractors	Tensions between countries limit access to suppliers and subcontractors. The pandemic has created an atmosphere of instability and uncertainty that makes it difficult to plan and manage projects efficiently. Increased risk of non-compliance and abandonment of projects due to the implications of the pandemic on the construction sector.	- Expanded lists of suppliers and subcontractors that meet client requirements. - Subcontractor evaluation processes including compliance and sustainability criteria, and improved financial and HSE evaluation criteria. - Implementation of payment plans with subcontractors to minimise impacts on projects due to non-payment and reinforcement of collaboration with subcontractors in order to establish plans in accordance with the payment possibilities of the projects.
Quality of execution.	Quality in the execution of the works ensures not only the successful completion of the project, but also obtaining projects of a similar nature or with the same client.	- Quality supervision mechanisms in all project phases. - Creation of databases recording the Group's know-how and best practices. - Quality procedures are drawn up by all the departments concerned, minimising the possibility of lack of knowledge, and reviewed by the Knowledge Management Department.
Climate Change.	Climate change requirements can impact clients' needs and the way in which TR implements its projects.	- The Company has excellent technical engineering capabilities to provide clients with solutions that enable them to develop their sustainability activities and emission reduction initiatives through, for example, retrofitting existing industrial facilities. - The Company has advanced technical procedures that enable it to execute projects in extreme environmental conditions, as it has demonstrated in locations such as Saudi Arabia and Canada.
New energy scenario	The energy transition is a new reality to which both TR's clients and the Company itself must adapt themselves so as to meet the decarbonisation budgets and deadlines to which their countries have committed.	- The Company is dedicating more and more resources to the execution of projects in the field of energy transition, helping its clients to adapt to regulatory changes and new market trends. - Técnicas Reunidas has launched a financing framework, called Harvest, with the aim of financing its commitment to decarbonisation and energy transition.

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

On the other hand, it is worth mentioning the special circumstances that have taken place over the last two years (2020 and 2021) as a result of the emergence of COVID-19, in particular the Delta and Omicron variants, which have had an impact on various aspects of the Company's operations:

- First, it has required excellence in the health protection of its employees, which has entailed extraordinary measures, both on site and in offices, including extensive implementation of telecommuting at the Madrid offices.
- Second, it has entailed the rescheduling of relevant projects in the Middle East, Asia and North Africa, which has slowed down the amount of accrued sales, with an immediate impact on cash flow. It has also meant the need to adapt resources to the needs of the projects.
- Lastly, COVID-19 has led to higher costs which are reflected in the notes to the Consolidated Financial Statements. The Group's resilience to an exceptional situation such as the pandemic was demonstrated by its capacity to adapt to clients' schedules, identifying specific financing alternatives for this situation.

The Company also uses all the tools at its disposal to assess, manage and mitigate any non-financial risks present in its immediate environment. However, the uncertainty associated with the COVID-19 environment has given rise to the following significant impacts:

- Changes in the price of crude oil.
- Changes in economic variables.
- Changes in project cost and deadlines. In this regard, the relevant projects have been rescheduled and new costs associated with the pandemic have been incurred.

The Company also incurred margin deviations due to the turnkey project structure, which fixes the selling price and leaves open the potential costs associated with the construction of the plant.

In 2021, earnings continued to be heavily impacted by the pandemic and its consequent effects of higher costs, lower productivity, slower milestone achievement making it difficult to meet revenue targets and the rescheduling of more than 50% of the backlog. Despite the challenges posed to the Company by the pandemic, TR was able to preserve all its projects in the pipeline, which in a COVID-19 environment could have been subject to possible cancellations.

During the pandemic, the Group has collaborated with all its clients who requested to reschedule their execution schedules, defining new delivery deadlines and adapting payment schedules to collections with numerous suppliers. In addition, TR has strengthened its alternative lines of financial support that enable it to maintain the ordinary course of its operations and has implemented monitoring and mitigation mechanisms supervised by the Group's General Management and Operations area.

Conversely, the rescheduling of projects has allowed for a slow application of the principles of efficiency that emanate from the Transformation Plan in which the Company has been involved since it began in 2019, which improves the earnings expectations of the portfolio and offsets the possible cost overruns that may arise from the slowdown of some projects.

Similarly, this new scenario has only reinforced TR's commitment to sustainability as a key element of its future business development. In this context, the Company approved the Group's Sustainability Policy in 2020, and has made progress in 2021 with the approval of a Sustainability Plan aligned with the principles of the Policy and the implementation of the initial actions set out in it. These advances represent a milestone in TR's relationship with its main stakeholders, as well as a manifestation of the Company's commitment in this area.

The main result of the development and implementation of this policy has been a greater coordination of the Company's activity in the area of sustainability (dealing with key issues such as the environment, innovation, development and protection of intellectual capital or responsible taxation), as well as the establishment of a reference framework containing the Company's principles of action with respect to its stakeholders.

It should be noted that throughout 2021, the Company has deepened its system of internal control of non-financial information (SCIINF) in various ways, including special consideration in the sessions of the corporate bodies responsible for this matter and the consolidation of the assignment of this competence to the Board of Directors (with regard to the approval of the policy of communication of economic-financial, non-financial and corporate information) and to the Audit and Control Committee. Similarly, the Company has integrated ESG factors into internal decision-making processes in multiple areas and procedures, considering ESG aspects (including corporate governance, environmental or regulatory compliance issues) as a relevant element in decision-making processes.

Another aspect that has become very important within TR's business is the initiation of projects in the field of energy transition, an area in which the Company wants to play a central role in the sector. In this regard, with its Energy Transition Division and its Energy Transition Committee, TR is working to become increasingly involved in projects with a clear positive impact related to decarbonisation and to do so as quickly and fairly as possible, supporting its clients on their path towards decarbonisation. To this end, TR draws on its 60 years of experience as a company specialising in advanced engineering and its solid knowledge of a wide range of industrial processes, combined with its technological and innovative capacity.

In this context, Técnicas Reunidas is committed to directing all its present and future projects toward meeting the objectives of decarbonisation and energy transition, both in terms of its traditional business and the new areas in which it is present, through all types of work schemes.

On the other hand, TR's response to the situation caused by COVID-19 has focused on putting in place a set of measures that have facilitated the adaptation of its activity to the operational restrictions, minimising the company's exposure to the risks related to the pandemic and ensuring the continuity of its operations. The health and safety of its employees is its priority.

Among the measures implemented, the COVID-19 Monitoring Committee was set up, coordinated by the ORP and HR areas and advised by a group of external experts, which continued to carry out its responsibilities throughout 2021. Through this Committee, the specific guidelines to be followed in all areas have been established in order to create safe offices and work spaces, and it is responsible for periodically communicating all relevant facts to employees. In addition, throughout 2021, the Contingency Plan for the entire Company, already established in 2020, was updated, while specific plans were adopted for both work centres and projects in terms of COVID-19. The actions carried out by TR in this context are detailed in greater detail in each of the sections contained in this report.

Finally, it should be noted that for the rest of the non-financial issues, Técnicas Reunidas has fortunately not suffered any additional significant impacts in the year.

15.3 Information on environmental matters.

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

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

Since 1997, TR has continuously adapted its Environmental Management System to legislative requirements and stakeholder demands. This system is implemented and certified in accordance with ISO 14001:2015 for all Group companies, including TR Sagemis in Italy and TR Engineering in India.

Once again this year, as a result of the set of tools and policies applied, TR had no ‘non-conformities’ in the external assessment of this certification carried out by AENOR, which is valid until July 2022. These excellent results demonstrate the maturity of the management system and the Company's commitment to applying the best available practices in environmental matters.

TR develops products, systems and services with the aim of obtaining energy that is more affordable and reliable and that meets current environmental requirements. All the Company's projects are conditioned by new and increasingly stringent environmental requirements, which must comply with, among others, climate change initiatives focused on reducing CO_2 emissions and improving the waste management system, focusing on waste reduction from a circular economy perspective. To this end, TR has implemented methodologies that ensure the monitoring and verification of environmental information in 100% of its projects. At the corporate level, internal environmental audits and external verifications of environmental performance indicators and carbon footprint are carried out, among others.

On the other hand, and in line with its commitment to combating climate change, in 2021 TR began implementing the Sustainability Plan in the environment area, setting targets and objectives to contribute to environmental protection and the fight against climate change through the development of technical solutions that allow the construction of sustainable and efficient plants for its clients.

In this context, it is important to mention that environmental regulations affecting Técnicas Reunidas were approved in 2021, reinforcing the Spanish National Integrated Energy and Climate Plan (PNIEC). The Company is also subject to the Spanish Climate Change and Energy Transition Act 7/2021, of 20 May [*Ley de cambio climático y transición energética*] under which Spain is seeking to achieve neutrality in greenhouse gas emissions by 2050.

In line with the company's sustainability strategy, the Sustainability Policy and the commitment to contribute to the fulfilment of the United Nations Sustainable Development Goals (SDGs), TR joined the Spanish Group for Green Growth (*Grupo Español para el Crecimiento Verde*, GECV) in 2021. GECV is an association that brings together 53 companies with the aim of promoting public-private partnerships to overcome the environmental challenges that currently threaten our society and promote a sustainable, circular and efficient economy. In this way, the company contributes to the generation and dissemination of the knowledge necessary for sustainable development and the creation of favourable conditions to achieve a low-carbon economy.
One of the Company's strengths is the systematic identification and monitoring of environmental risks and opportunities, identifying and implementing the actions associated with them, both on site and in offices.

Currently, the main environmental risks are those related to climate change (see section 15.3.2) in the geographical areas where TR's projects are developed, and those arising from changes in design limits or applicable legislation during project development.

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

On the other hand, the Company offers its clients its capabilities and experience to include performance criteria and environmental consultancy in the design of projects, optimising the performance of the project in its operation phase, achieving greater efficiency during this phase with a lower impact on the environment. In this regard, TR has adopted, among others, the following measures:

- Optimisation of resources with an exhaustive analysis of the environmental impact at the offer stage, allowing the real needs of each project to be identified in the pre-project

phases.
- Appointment of an environmental manager as part of the task force team.
- Increased role and responsibilities of the project's environmental manager in terms of internal environmental consulting.
- Real-time monitoring of environmental indicators for each project to avoid deviations.

The effect of TR's activities on the environment derives mainly from greenhouse gas emissions, energy consumption, waste generation and material consumption, which are detailed in each of the following sections. Going forward, it is expected that the material environmental aspects will remain the same. However, given TR's activity as an engineering company, it undertakes different projects each year in different phases of action, so a detailed forecast in quantitative terms would not reflect the reality of its performance for the coming years. The environmental KPIs are subject to the degree of progress of the projects underway, the volume of personnel at peak times, the execution phase and the new projects that may be awarded during each year. Given these circumstances, future estimates associated with environmental KPIs do not represent a reliable view of the Company's actual situation.

Throughout 2021, in order to broaden and improve the scope of its activities, TR focused its efforts on monitoring and analysing the information in detail and has re-established a base year in 2019 for setting environmental targets. In addition, during the previous year, TR homogenised the perimeter of calculation of the statistics on the different environmental indicators, which are now calculated per million euros of revenue, and assimilating it into the perimeter of reporting of the Company's financial information.

It is important to highlight that, depending on the progress of each project, these ratios may vary significantly from year to year. Not surprisingly, the execution of turnkey projects such as the ones performed by Técnicas Reunidas involves different phases with highly variable workloads, supply phases and staff levels.

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

Within the scope of the Sustainability Policy, Senior Management has developed a strategy aimed at creating value in a sustainable manner and providing high added value services that enable the Company to design and build efficient, sustainable and environmentally friendly industrial plants. The aim is for them to contribute to combating climate change and the transition to a low-carbon economy, taking advantage of the business opportunities derived from their high technological qualifications and demonstrating its commitment to the Sustainable Development Goals (SDGs).

This year, Técnicas Reunidas launched a financing framework, called Harvest, with the aim of financing its commitment to decarbonisation and energy transition. This framework is the first of its kind in the sector in which the company operates, and its methodology has been designed following the most demanding international references, with the collaboration of Enea Consulting. In addition, the investor services company ISS-ESG has provided an independent opinion on the alignment of the framework with decarbonisation and the energy transition.

Harvest includes an internal methodology that assesses whether or not a new project is aligned with decarbonisation and energy transition objectives. Those that are will be included in the various financing instruments associated with the energy transition that the company uses in the development of its business. Currently, projects eligible under this framework represent almost 40% of the company's revenues.

This methodology will be applied to TR projects in low-carbon technologies, such as blue and green hydrogen, CO_2 capture and storage, activities along the natural gas value chain (as a transitional energy source), biofuels and biomass electricity production facilities, as well as other activities related to the circular economy.

Lastly, it should be noted that, during 2021, the COVID-19 context was the same as in the previous year and had no notable negative impacts on the Society's Environmental Management. The effects of the pandemic have continued to be mainly reflected in the annual variations of several of the environmental indicators, as detailed in the following sections.

15.3.2. Climate Change

The main sources of greenhouse gases associated with TR's activity correspond to the consumption of fossil fuels in the Company's vehicle fleet and facilities (Scope 1), electricity consumption in these same facilities (Scope 2) and emissions from company travel (Scope 3).

In 2021, scope 1 emissions decreased by around 30% compared to 2020, as TR continued with lower overall fuel consumption due to, among other factors, the slowdown or completion of some projects. In scope 2, there was an increase of 51% compared to 2020 due to the opening of some office buildings and the overall reduction of the telecommuting situation. In scope 3, there was an increase of 247% compared to 2020, due to the return to normality in terms of corporate travel and the company's strong commercial work during the year.

Emissions generated*	2020	2021
Scope 1 emissions (tCO_2eq)	49,123.31	33,942.85
Scope 2 emissions (tCO_2eq)	444.70	669.35
Scope 3 emissions (tCO_2eq)	7,453.13	25,863.24
TOTAL	**57,021.14**	**60,475.44**

**An estimate was made of the emissions associated with the last quarter of the year. For scopes 1 and 3, the estimate consisted of projecting the months of October to December based on the average emissions of the first 9 months. However, for Scope 2, since electricity consumption is mainly in offices and depends to a large extent on the time of year, the last quarter was estimated on the basis of the consumption recorded from October to December of the previous year. Furthermore, the sources used for the calculation of emissions were: Scope 1 (GHG protocol, April 2014), Scope 2 (CO_2 Emissions from fuel combustion-International Energy Agency, 2014), Scope 3 (UK Government GHG Conversion Factors for Company Reporting, 2021).*

This year, within the framework of the Sustainability Plan, Técnicas Reunidas took on various environmental objectives, including implementing measures to promote energy efficiency, developing new projects related to the energy transition, establishing circular economy plans on site and in the office, and setting emission reduction targets of 30% for the period 2019-30 for scopes 1, 2 and 3 and carbon neutrality by 2040. To this end, the Company works continuously to identify and implement effective measures. This year TR achieved LEED Platinum certification for the office buildings located in the Adequa complex in Madrid. In addition, as part of the Sustainable Mobility plan, TR has increased the timetables of the shuttles available to employees that connect its offices with the city of Madrid, and has improved access to them through a mobile application. The aim is to encourage the use of collective transport over individual transport, adopting all the necessary safety and hygiene measures.

To keep all its objectives and strategies in line, the Company continuously monitors all issues related to climate change.

TR is highly aware of the potential impact that climate change may have on its business, and it has developed a Climate Risk and Opportunity Matrix together with the relevant adaptation plan, transparently reporting its climate change performance through participation in

initiatives such as the Carbon Disclosure Project (CDP) in which TR has participated for several years. In the 2021 edition, the Company obtained a B in the Climate Change category and an A- in Supplier Engagement.
In terms of responsibility, the CEO is responsible for climate change issues within the company. TR has assigned all sustainability issues to the Board of Directors, including climate issues, and these aspects are therefore directly managed by the highest authority body. The responsibilities of the Executive Chair in this area include the definition of climate targets and the linking of variable remuneration to emission reductions, with the latter currently applied to certain directors with a key role in the fight against climate change.

The Secretary of the Board of Directors of Técnicas Reunidas is responsible for coordinating the activities of the Board of Directors and other areas of the Company in matters of sustainability. This facilitates the implementation of resolutions on climate issues, which is TR's main governance mechanism in relation to climate change.

TR identifies the main climate change risks affecting the entity. In this context, the Company is primarily exposed to transition risks, in particularly those that depend on regulatory developments that could have an impact on various clients. An increasingly demanding regulatory environment, which can translate into significant reputational risk at the corporate level.

The physical risks particularly include the geographic location of some clients, which are subject to extreme temperatures (for example, the Middle East, Russia or Canada), which can lead to changes in working conditions during the performance of projects.

On the other hand, in the area of climate change opportunities, TR is well positioned, thanks to its leadership on climate change, the diversification of its activities and its adaptation to new trends, which go beyond legal issues. This enables the Company to benefit from the opportunities that will arise from increased regulatory pressure on environmental issues, as it has the technology and solutions to help its clients meet these growing environmental demands.

This diversification of activities focuses on working with clients to improve the environmental performance of their facilities: production of clean fuels, natural gas and chemical products, biomass and solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 sequestration and capture) and, therefore, the reduction of greenhouse gas emissions.

With regard to climate scenarios, the Company takes into account those designed by leading organisations such as the International Energy Agency (IEA), the World Energy Outlook and BP Energy Outlook. Based on these scenarios, Técnicas Reunidas has defined its short-, medium- and long-term horizons, the objective of which is to adapt to the challenges posed by climate change, ensuring the maintenance of its technical advantage, a key factor for competing successfully in the future:

- **Short term (0-2 years)**: the Company will continue with its current strategy in the planning and construction of industrial plants, taking advantage of its technological leadership and the context of growing climate sensitivity to help its clients produce energy more cleanly and efficiently, reducing the carbon footprint in the projects in which it participates and adapting to current legislation.
- **Medium term (2-6 years)**: this time horizon will include the progressive adaptation of the Company's current strategies, adapting them to the new regulatory requirements, which are expected to be more restrictive in relation to the reduction of emissions and the objective of decarbonisation. The Company will also advise its clients on the need to produce energy in a cleaner way, offering the best available solution in each case.
- **Long term (6-30 years)**: current strategies will be combined with the implementation of new ones to maximise the use of climate opportunities and minimise the Company's exposure to the different risks derived from climate change. To this end, TR bases the development of its future scenarios on the three reference organisations mentioned above. In this regard, TR will increase its efforts and technical capacity to provide solutions that match the needs of its clients in each of the three scenarios, seeking to

anticipate the confirmation of the scenario as far in advance as possible so that the appropriate operational, technical and financial measures can be taken.

A more comprehensive climate scenario analysis is planned for the near future which, taking into account the best available climate scenarios (including at least one aligned with the objective of limiting the global temperature increase to 1.5°C), will allow TR to obtain greater detail in its estimate of the financial impacts of the risks and opportunities related to climate change.

15.3.2.1. Information on EU Taxonomy eligibility for climate change mitigation and adaptation objectives

a) Introduction

The Taxonomy Regulation (Regulation 2020/852) is a key component of the European Commission's action plan to redirect capital flows toward a more sustainable economy and represents a fundamental step toward achieving the EU's stated goal of achieving GHG neutrality by 2050.

The Taxonomy Regulation also envisages the creation of a classification system for environmentally sustainable economic activities. A first step in shaping this classification system (the ‘EU Taxonomy’) has been the enactment of Delegated Regulation 2021/2139 of 4 June 2021, which sets out the technical screening criteria for determining whether an economic activity makes a substantial contribution to climate change mitigation or adaptation, and also for determining whether that economic activity does not cause significant harm to any of the other environmental objectives.

Following the publication of those technical criteria, Delegated Regulation 2021/2178 of 6 July 2021 was enacted, which describes the different indicators relating to the EU Taxonomy to be disclosed by the different types of companies, including companies subject to the obligation to publish non-financial information statements (NFI), in accordance with articles 19(a) and 29(a) of Directive 2013/34.

Consequently, Técnicas Reunidas, in response to article 8 of Regulation 2020/852, as well as article 10(2) of Delegated Regulation 2021/2178, reports in this section of its statement of non-financial information the proportion of eligible and non-eligible activities according to the taxonomy in terms of its turnover (billing), its investments in fixed assets (CapEx) and its operating expenses (OpEx). These indicators have been obtained at a consolidated level, i.e. at the Técnicas Reunidas Group level.

The eligible activities of a company according to the taxonomy are defined as those that comply with the description set out in the regulation. Although this year it is sufficient to focus on the description of each of the activities, for subsequent years the same indicators will be published in terms of alignment, i.e., ensuring compliance with the technical criteria for each activity included in the taxonomy.

The Técnicas Reunidas Group (TR) is dedicated to providing all types of value-added engineering and construction services for industrial plants for the production of clean fuels, natural gas and chemical products and to offering its clients a wide range of solutions linked to the energy transition, the circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 sequestration and capture, etc.). Consequently, and according to the taxonomy, a relevant part of the activities carried out by TR in the framework of the projects it performs have the potential to contribute substantially to climate change mitigation, and are therefore categorised as eligible.

To identify eligible activities, an exhaustive analysis of each of the Group's project types was first carried out to identify the activities carried out by TR that could be linked to the taxonomy. After this, and to confirm the eligibility of each of the activities identified as ‘presumably eligible’, these were cross-checked against the definitions in Delegated Regulation 2021/2139. Thus, the following tables list the eligible activities resulting from the study.

Table 1 Eligible Activities in TR[1]

Economic activity in accordance with Taxonomy	Description of the activity
3.2. Manufacture of equipment for the production and use of hydrogen	Projects linked to the manufacture of green H_2 production equipment
4.25. Production of heat/cooling from residual heat	Supply, construction and installation of heat exchangers and recovery boilers
4.7. Generation of electricity from gaseous and liquid fuels from renewable non-fossil fuel sources	Engineering, procurement and assembly of gas and steam turbines
4.8**.** Electricity generation from bioenergy	Construction of biomass-based power generation facilities
5.1 Construction, extension and operation of water collection, treatment and distribution systems	Operation of desalination plants
5.3. Construction, extension and operation of sewage collection and treatment systems	Networks of oily effluent collection collectors and treatment plants
6.10. Maritime transport of goods, vessels for port operations and ancillary activities	Maritime transport of modules
7.1. Construction of new buildings	Construction of buildings

b) Turnover

The key turnover indicator is calculated as the proportion of revenue derived from eligible activities (numerator) over the company's total revenue (denominator). This revenue corresponds to revenue recognised in accordance with International Accounting Standard (IAS) 1, paragraph 82(a), as adopted by Commission Regulation (EC) No 1126/2008. The denominator of this key indicator is shown on page 65 of the Notes to the 2021 Consolidated Annual Financial Statements (note 22: 'Revenue').

On the other hand, the numerator referring to revenues from eligible activities set out in Table 1 has been computed by analysing each of the Group's projects from which ordinary revenues were recorded in 2021. In doing so, an exhaustive breakdown of the different activities carried out in the projects was performed and those that meet the eligibility criteria established by the Taxonomy were identified. Projects were considered individually, as were their activities, thus avoiding any possible double counting of information.

Subsequently, the costs derived from each of the activities identified as eligible were extracted. These costs comprise both direct calculation costs, mainly linked to the costs associated with the purchase orders of equipment linked to the eligible activity, as well as the costs of subcontractors, who carry out the site work for the fine-tuning of the industrial processes linked to the eligible activity; and also passed-on costs, referring to costs of activities linked to the project as a whole which, although not specifically destined to a particular eligible activity, contribute to the development and execution of the eligible activities of the project within the framework of the work process as a whole. For these latter items, a different allocation criterion has been established, adjusted to the particularities of each of them.

Lastly, following the models for allocating ordinary income from projects in the Group's consolidated financial statements, the costs linked to eligible activities per project were multiplied by the degree of progress of work in 2021 per project, obtaining the cost incurred in 2021 associated with eligible activities. In turn, this cost incurred per project was increased by the profitability (sales/cost) assigned to each project at year-end, thus obtaining the sales accrued in the year associated with eligible activities (the numerator used in the key indicator).

The following table therefore presents the proportion of TR's turnover associated with eligible activities according to the EU Taxonomy.

[1] *Only eligible activities that are material with respect to the total turnover are included in this list (>0.5 M€). These activities (7.2. and 9.1. of the Taxonomy) are included in the computation of the numerator.*

Table 2 Proportion of eligible and non-eligible activities according to the taxonomy in turnover.

	Total eligible (kEUR)	Proportion of eligible economic activities (%)	Proportion of ineligible economic activities (%)
Turnover	**222,712**	**7.93%**	**92.07%**

c) <u>CapEx.</u>

This indicator is calculated as the ratio of fixed assets invested in eligible economic activities (numerator) to the total assets acquired in 2021 (denominator).
That denominator (total CapEx) is obtained as the additions to tangible and intangible assets before depreciation, amortisation, revaluations and impairments excluding changes in fair value.

Total CapEx thus covers costs that are accounted for in accordance with:

a) IAS 16 Property, Plant and Equipment, paragraph 73 (e) (i) and (iii);
b) IAS 38 Intangible Assets, paragraph 118 (e), point (i);
c) IAS 40 Investment Property, paragraph 76, points (a) and (b) (for the fair value model);
d) IAS 40 Investment Property, paragraph 79 (d), points (i) and (ii) (for the cost model);
e) IAS 41 Agriculture, paragraphs 50 (b) and (e);
f) IFRS 16 Leases, paragraph 53, point (h).

According to the consolidated financial statements, total CapEx is shown on pages 43, 44 and 46 of our notes to the 2021 consolidated financial statements, in the row for 'increases' (included in notes 6: 'Property, plant and equipment' and 7: 'Other intangible assets', and including increases associated with long-term leases under IFRS 16) included in note 8. In total, in 2021 these items amounted to Euros 14,174 thousand (kEUR).

Técnicas Reunidas' business model, mainly based on providing its clients with engineering services, implies minimal CapEx additions compared to turnover or total expenses. Furthermore, the Group's assets linked to the projects mentioned in the section referring to the turnover KPI are not allocated to eligible activities, but are of a more corporate, interdepartmental or sector-specific nature not covered by the Taxonomy (for example, additions associated with long-term office leases, R&D activities not linked to reduction of GHG emissions or development of solutions for the aerospace industry). Therefore, it has been decided to take a conservative approach and not consider these items in the calculation of the numerator of the CapEx indicator. In addition, an exercise has been carried out to identify other CapEx items that could be eligible, such as those referring to energy efficiency and the installation of renewable energy systems in buildings, and no relevant CapEx additions have been found in this respect. This all means that the proportion of CapEx eligible under the Taxonomy is approximately 0%.

d) OpEx.

This indicator is defined as the ratio of OpEx eligible for the Taxonomy (numerator) to total Taxonomy OpEx (denominator).

This denominator reduces total operating expenses to non-capitalised direct costs that relate to research and development, building renovation measures, short-term leases, maintenance and repairs, as well as other direct expenses related to the day-to-day maintenance of tangible fixed assets by the company or a third party to whom activities are outsourced and that are necessary to ensure the continuous and efficient operation of these assets. On the other hand, the numerator of this indicator includes the operational costs included in the denominator that are allocated to eligible activities.

In the case of TR, the non-capitalised direct costs covered by the EU Taxonomy, i.e. those included in the denominator, represent less than 5% of the firm's total operating expenses (see Table 4). Therefore, their value is considered non-material and, in accordance with section 1.1.3.2 of Annex I of the Delegated Regulation of 6 July 2021, the numerator of the OpEx key indicator is reported as zero. Also, in compliance with this Delegated Regulation, the denominator of this indicator is shown in the following table.

Table 3 - Ratio of EU Taxonomy OpEx to total OpEx of the company

	Total (kEUR)	Proportion of total OpEx (%)
Non-capitalised expenses[2]	2,957,176	
Non-capitalised expenses covered under the Taxonomy (indicator denominator)	65,059	**2.2%**

However, it is worth mentioning that Técnicas Reunidas is committed to corporate initiatives to reduce the Group's GHG emissions, which involve certain expenses not contemplated by the OpEx definition of the EU Taxonomy Regulation, such as the use of carbon footprint management or remote technical attendance tools to reduce the number of trips made by its employees.

Técnicas Reunidas constantly monitors the development of the evolution of Taxonomy regulations and carries out numerous activities that contribute to the development of sustainability policies, the fight against climate change and decarbonisation also in countries outside the European Union, where its main market clients are located, in accordance with the best international practices in this area, improving the requirements of local regulations and being pioneers through our activity in contributing to the energy transition and sustainable development

15.3.3. Circular economy and waste prevention and management

Técnicas Reunidas showed again this year that it is strongly committed to implementing an environmental strategy base on circular economy principles to minimise the potential impacts of its activities.

Within the framework of the Sustainability Policy and its implementation over the next three years, Técnicas Reunidas plans to develop a circular economy strategy for both offices and projects through which it intends to materialise the actions already being carried out, as well as establish new objectives in this area.

The Company is committed to the circular economy as a way of avoiding waste generation and reusing materials, as well as optimising the management of hazardous and non-

[2] *Non-capitalised expenses include procurement and other operating expenses (see note 23 of the consolidated financial statements), employee benefits expenses (note 24) and rent and lease expenses.*

hazardous waste, through systems implemented by setting objectives and targets on, among other aspects, waste reduction, observance of good practices and the use of recycled materials.

For their management, TR takes actions such as promoting prevention, reusing and recycling rather than generation and dumping, along with waste mitigation and control through the integration of cutting-edge environmental design techniques in the processes at its plants and conducting awareness campaigns at its offices and worksites.

The Company is currently committed to three main lines of work in this area: optimisation of consumption, use of recycled materials and correct management of waste to promote its conversion into raw materials. This has resulted in the following activities:

Reuse of waste and treated wastewater on site:

- Use of excavated soils and land for backfilling foundations and trenches, levelling of land or similar.
- Use of concrete demolition rubble for the improvement of roads used during the construction of the project.
- Use of waste water after on-site treatment for irrigation required in construction, dust control of roads and paths, and irrigation of landscaped areas.
- Reuse of wood, metal and other waste to make information panels, handrails, pedestals, road barriers and other support elements.

- Reuse of off-site waste:

- Sale to material management companies of reusable waste materials, such as cable drums, scrap metal, pallets, cable scrap and barrels that will go back into the supply chain.
- Selection or replacement of waste managers according to the final destination of the waste, promoting the search for managers that ensure the reuse and revaluation of waste.

TR's project-related activities generate a variety of waste types, both hazardous and non-hazardous. The waste generated by the Company in 2021 is shown in the table below.

Compared to 2020, there was an increase of around 14%, due mainly to the increase in office activity compared to the previous year, to which the generation of non-hazardous waste is linked.

Generation of waste*	Amount generated in 2020* (t)	Amount generated in 2021* (t)
Hazardous waste (including oils, electrical and electronic equipment and other minority fractions)	60.45	23.95
Non-hazardous waste (including wood, household equivalent waste and other categories)	19,481.13	22,263.28
TOTAL	**19,541.58**	**22,287.23**

* *An estimate was made of the waste associated with the last quarter of the year. The estimate consisted of projecting the months of October to December based on the average waste from the first three quarters.*

15.3.4. Actions to combat food waste

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

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

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

15.3.5. Sustainable use of resources

Energy is one of the main resources needed for all the Company's operations. In 2021, the Group consumed 491,076.88 GJ of energy in its activities (mainly in the form of diesel, petrol, electricity and electricity), 30% less than the preceding year. This reduction was due to the degree of progress or completion of some projects, where greater fuel consumption is generated based on their needs and due to the closure of offices, where no electric power was consumed.

Energy consumption*	Amount consumed in 2020 (GJ)	Amount consumed in 2021 (GJ)
Diesel	587,874.25	404,228.53
Petrol	80,012.37	57,520.85
Fuel oil	218.32	0
Total electricity consumption	31,102.84	29,327.49
Total consumption of electricity from renewable sources	28,437.68	25,697.74
TOTAL	**699,207.78**	**491,076.88**

* *An estimation of fuel consumption for the last quarter was carried out. For fuel, the estimate consisted of projecting the months of October to December based on the average fuel consumed in the first three quarters. For electricity, however since its consumption is mainly in offices and depends to a large extent on the time of year, the last quarter was estimated on the basis of the consumption recorded from October to December of the previous year.*

***Renewable energy supply has been implemented in all the Spanish offices: Adequa 3, 5 y 6, Gorbea, Centro Tecnológico and the Cartagena office.*

To ensure the correct management of this consumption, in 2021 TR continued with the various actions initiated in previous years, such as the adoption of energy efficiency plans and the implementation of awareness raising campaigns. Likewise, the strategy to reduce consumption in the offices was completed in 2021, closing three buildings and relocating TR and INITEC staff to the Adequa de las Tablas business complex, with more modern and efficient facilities.

Since 2019, all Técnicas Reunidas offices in Spain have been consuming energy exclusively from 100% renewable sources (with certified guarantee of origin). This renewable energy consumption represents 87.62% of the total electricity consumed, thanks to which Técnicas Reunidas has managed to prevent the emission of 2,177.17 tonnes of CO_2 equivalent into the atmosphere in 2021.

TR has also worked on optimising the use of material resources in all phases of the value chain and the recovery of materials through R&D+i activities. Steel, copper and paper were the main materials consumed by Company as shown in the following table. The variations from one year to another in these indicators are strongly dependent on the degree of progress of the projects, so that depending on the phase and the purchases made in the projects, they can vary greatly, as was the case for the evolution of copper and steel consumption between 2020 and 2021. In the case of paper, the decrease was mainly due to the fact that until October the offices, where the greatest expenditure is generated, were at 50% occupancy.

Raw materials consumption*	Amount generated in 2020* (t)	Amount generated in 2021* (t)
Steel	94,284.25	27,656.88
Copper	932.14	161.11
Paper	58.78	29.43
TOTAL	**95,275.17**	**27,847.41**

** To calculate the reported data, an estimate was conducted of the materials consumption associated with the last quarter of the year. The estimate consisted of projecting the months of October to December based on the average materials consumed in the first three quarters.*

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

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

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

15.3.6. Other forms of pollution

Técnicas Reunidas does not just focus its efforts on minimising greenhouse gas emissions, reducing its consumption of materials and generating less waste. The Company uses all resources at its disposal to identify the environmental circumstances existing on each occasion and to establish the most appropriate preventive and, where appropriate, mitigation measures in accordance with the best available techniques. In addition to emissions, spills etc., these limits include other forms of contamination, like noise for example. In relation to light pollution, the office buildings have automatic night shutdown systems between 8:00 pm and 6:00 am. In the case of the works, they are illuminated in accordance with the safety and energy efficiency standards corresponding to each country.

For the proper management of all environmental issues, the Company has a wide range of support documents–including the Environmental Management Plan and Construction

Environmental Management Plan–which identify the limits of mandatory compliance, along with the actions to be implemented at all times. It also has specific Environmental Management Manuals for each certified Environmental Management System.

15.3.7. Protection of biodiversity

One of the principles of action of the Environmental Sustainability Policy is to preserve and promote the biodiversity of the ecosystems, landscapes and species in the territories in which the Company operates, wherever applicable.

Técnicas Reunidas carries out all its projects on industrial land, which is why biodiversity is not among the Company's material aspects. In this regard, the Técnicas Reunidas' activities during 2021 did not give rise to any impact on biodiversity. TR executes its projects in accordance with the environmental impact studies carried out by its clients.

In biodiversity matters, Técnicas Reunidas implements the measures required by the client's contractual scope, offering, when necessary, specific consulting services for client advice and support. When protection of biodiversity is assumed by Técnicas Reunidas in the contractual scope, the Company develops several initiatives, such as planting trees, aimed at offsetting the CO_2 emissions from these projects, hence reducing its carbon footprint.

15.3.8. Provisions and guarantees for environmental risks

The environmental expenses, assets, provisions and contingencies of the Group companies are considered immaterial in relation to their equity, financial position and results. However, the Company identifies these items for each office/subsidiary, as well as for each project through the various applicable accounting items; this facilitates the monitoring of environmental indicators since, based on a sustainable management concept, the verification documents are the invoices that support them.

TR also has a risk and opportunity management system that includes an analysis of both offices and projects (from the bidding phase to completion) for potential environmental impacts. This analysis includes the identification of measures addressing the precautionary principle and reduction of undesirable effects.

In addition to environmental expenditures and provisions, all projects include a contingency account to cover possible unforeseen events that may arise in the project on situations where environmental issues may be included and which are activated if necessary.

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

15.3.9. Resources assigned to prevention of environmental risks

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

15.4 Information on social and personnel issues

15.4.1. Employment

Técnicas Reunidas' professionals are the Company's main asset. This workforce has 6,516 employees, which represents a significant management challenge, which has also been growing in recent years due to the need to adapt to the complex scenario arising from the current pandemic.

Thanks to various tools and strategies, TR efficiently manages the relationship with its professionals and promotes their development. The tools available to the Company include policies, procedures and bodies that stipulate the principles, guidelines and decisions related to human resources. This framework enables the appropriate management of human resources, offering a safe and dependable environment that reinforces their commitment to the Company.

Técnicas Reunidas is aware of the main HR risks to which it is exposed. In 2021, these were mainly the following: staff redundancies (due to the rescheduling of some projects, mainly as a result of COVID-19), selective staff departures (associated with the selective exit of low-performance, high-cost profiles), subcontracting of external personnel (with the risk of transfer of workers, as well as the subsidiary liability of TR derived from possible breaches by the main employer of these workers), redundancy of expatriate staff contracts (due to having employees regulated under two contracts subject to different legislation), hiring local staff (risks regarding compliance with local legislation and requirements), international labour taxation (difficulty in applying tax benefits or exemptions in Spain on many occasions, as well as difficulties in obtaining certain documents in the destination country to benefit from these deductions), high absenteeism due to medical leave and quarantines caused by COVID-19 and talent drain (associated with the difficulties the sector is currently experiencing).

However, TR is prepared to handle all these possible contingencies through a flexible and globalised HR structure, which facilitates the adoption of solutions to prevent and mitigate the risks associated with its activity. Specifically, some of the most noteworthy measures to address the main risks have been: the creation of a specific team in the HR Department to manage the hiring and departure of external personnel, the drafting of specific contractual clauses in the contracts of expatriate personnel, analysis of the legal requirements for hiring local personnel and the implementation of policies that help keep on essential employees.

In line with the above, throughout 2021, the COVID-19 Monitoring Committee (of which HR is a member) continued to promote a series of actions to deal with the pandemic with highly satisfactory results, managing to maintain security measures above the legal requirements, facilitating work/family life balance, protecting vulnerable groups, establishing a safe return to the offices and guaranteeing the continuity of operations, which has prevented the materialisation of significant impacts in this regard. These actions are detailed throughout this document.

This global management of human resources is in accordance with its strategy to promote diversification in both services and geographical regions. This approach enables the Group 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.

In this area, TR has implemented a software tool (SAP Success Factors), which enables better management of aspects such as administration, remuneration plans, evaluations of employee performance and absenteeism, and training schemes. In relation to this last point, Técnicas Reunidas has an access control system based on the Company's clocking-in regulations, which reflect the work schedules and the different reasons for clocking in. Through this system, the Personnel Administration team can monitor any irregularities that may occur with time sheets. In addition, each employee uploads weekly work reports that must be approved by the heads of each department. In the event of any absenteeism, the person must justify it to the HR department. Depending on the irregularity, the company may issue a verbal or written warning or impose a penalty that could lead to dismissal.

The Group's workforce at 31 December 2021 had 6,516 internal employees and 795 subcontracted workers and freelancers, who have a contract with the Company. In addition, Técnicas Reunidas has an average of more than 39,605 subcontracted workers on its projects in construction (see section 15.7.3). However, the Company does not have a direct relationship with these professionals as they are not direct employees of TR. For this reason, as opposed to the financial statements, the reporting scope of this report only covers Técnicas Reunidas' own employees. During 2021, there was a roughly 13% reduction in the workforce, due to cost reduction objectives and the necessary adaptation of available resources to the Company's effective workload. This year TR restructured its job positions, creating homogenisation and efficiencies across the Company.

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

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

	2020		2021	
Distribution of staff by gender	**No.**	**%**	**No.**	**%**
Men	5,609	75.21%	4,798	73.63 %
Women	1,849	24.79%	1,718	26.37 %
TOTAL	**7,458**	**100%**	**6,516**	**100%**

	2020		2021	
Distribution of staff by professional category	**No.**	**%**	**No.**	**%**
Executive Directors	1	0.01%	1	0.02%
Senior executives	11	0.15%	10	0.15 %
1st Management Level	96	1.29%	81	1.24%
2nd Management Level - Middle Managers	240	3.22%	435	6.68%
Graduates, other line personnel and clerical staff	6,794	91.09%	5,813	89.21 %
Supervisors	273	3.66%	142	2.18%
Sales staff	43	0.58%	34	0.52%
TOTAL	**7,458**	**100%**	**6,516**	**100%**

	2020		2021	
Distribution of staff by age	**No.**	**%**	**No.**	**%**
<30 years old	477	6.40%	312	4.79%
30-50 years of age	5,537	74.24%	4,761	73.07%
50 years old and over	1,444	19.36%	1,443	22.15%
TOTAL	**7,458**	**100%**	**6,516**	**100%**

	2020	2021

Employee distribution by country*	No.	%	No.	%
TR SPAIN	4,368	58.57%	4,218	64.73%
TR OMAN	536	7.19%	197	3.02%
TR CHILE	107	1.43%	108	1.66%
TR INDIA	75	1.01%	132	2.03%
TR ARABIA	848	11.37%	610	9.36%
TR KUWAIT	333	4.48%	106	1.63%
TR PERU	309	4.14%	182	2.79%
TR MALAYSIA	30	0.40%	98	1.50%
TR ABU DHABI	565	7.58%	486	7.46%
TR TURKEY	26	0.35%	34	0.52%
TR ALGERIA	45	0.60%	11	0.17%
TR JORDAN	7	0.09%	-	-
TR UK	14	0.19%	-	-
TR AZERBAIJAN	77	1.03%	179	2.75%
TR MEXICO	10	0.13%	9	0.14%
TR CANADA	29	0.39%	19	0.29%
TR SINGAPORE	30	0.40%	14	0.21%
TR POLAND	7	0.09%	23	0.35%
TR FINLAND	-	-	-	-
TR BOLIVIA	-	-	-	-
TR ITALY	8	0.11%	9	0.14%
TR BAHRAIN	4	0.05%	6	0.09%
TR RUSSIA	6	0.08%	12	0.18%
TR USA	2	0.03%	2	0.03%
TR DOMINICAN REPUBLIC	-	-	-	-
TR COLOMBIA	12	0.16%	56	0.86%
TR THAILAND	10	0.13%	5	0.08%
TOTAL	**7,458**	**100%**	**6,516**	**100%**

* *Significant changes in some of the subsidiaries are due to fluctuations in the needs of the Company's various projects in the regions in which it operates projects.*

- Total number and distribution of employment contract types:

	2020		2021	
Distribution of employment contract types	**No.**	**%**	**No.**	**%**
Permanent	4,010	53.77%	4,850	74.43%
Temporary	3,448	46.23%	1,666	25.57%
TOTAL	**7,458**	**100%**	**6,516**	**100%**

	2020		2021	
Distribution of employment contract types	**No.**	**%**	**No.**	**%**
Full time*	7,458	100%	6,020	100 %

Reduced workday	498	6.68%	496	8.24 %

** 100 % of TR's contracts are 'full time'; the Company does not have part time contracts. This table includes those employees who have full-time contracts and those that also have a reduction in working hours.*

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

Average contracts by gender*	2020			2021		
	Men	Women	TOTAL	Men	Women	TOTAL
Permanent	2,595	1,477	4,072	3,477	1,552	5,029
Temporary	3,841	476	4,317	1,546	191	1,738
TOTAL	**6,436**	**1,953**	**8,389**	**5,023**	**1,744**	**6,767**
	8,389			**6,767**		

Average contracts by age*	2020			2021		
	<30	>=30, <50	>=50	<30	>=30, <50	>=50
Permanent	75	3,101	896	160	3,749	1,121
Temporary	543	3,094	680	237	1,210	290
TOTAL	**618**	**6,195**	**1,576**	**397**	**4,959**	**1,411**
	8,389			**6,767**		

Average contracts by professional category*		Executive Directors	Senior executives	1st Management Level	2nd Management Level - Middle Managers	Graduates, other line personnel and clerical staff	Supervisors	Sales staff
2020	**Permanent**	1	11	90	207	3,657	64	42
	Temporary	0	0	17	19	4,019	257	5
	TOTAL	1	11	107	226	7,676	321	47
2021	**Permanent**	**1**	11	74	353	4.442	115	33
	Temporary	**0**	0	2	90	1,607	37	1
	TOTAL	**1**	11	77	444	6.049	151	34

** The average was calculated from the average of the employees at the end of the four quarters of 2021 (March, June, September and December).*

Number of dismissals by gender, age and professional category:

	2020		2021	
No. of dismissals	**No**	**%**	**No.**	**%**
Distribution by gender				
Men	91	69.47%	92	73.6 %
Women	40	30.53%	33	26.40 %
TOTAL	**131**	**100%**	**125**	**100%**
Distribution by age	**No.**	**%**	**No.**	**%**
<30 years old	4	3.05%	8	6.40 %
30-50 years of age	65	49.62%	73	58.40%
50 years old and over	62	47.33%	44	35.20%
TOTAL	**131**	**100%**	**125**	**100%**
Distribution by professional category	**No.**	**%**	**No.**	**%**
Executive Directors	0	0.00%	0	0.00%
Senior executives	0	0.00%	0	0.00%
1st Management Level	2	1.53%	0	0.00%
2nd Management Level - Middle Managers	9	6.87%	9	7.20%
Graduates, other line personnel and clerical staff	117	89.31%	107	85.60%
Supervisors	3	2.29%	9	7.20%
Sales staff	0	0.00%	0	0.00%
TOTAL	**131**	**100%**	**125**	**100%**

- Total average compensation (fixed and variable wages) of the workforce at year’s end, broken down by gender, age and professional category or equivalent value:

Average remuneration by gender (€) *	**2020**	**2021**
Men	51,089.08	51,141.48
Women	42,911.98	42,440.44
TOTAL	**49,061.80**	**46,790.96**

	2020		2021	
Average compensation by professional category* (€)	**Men**	**Women**	**Men**	**Women**
Senior executives	460,924.88	267,488.96	456,264.56	441,377.10
1st Management Level	186,404.10	204,240.77	180,159.65	175,330.11
2nd Management Level - Middle Managers	99,681.81	80,662.14	91,336.41	70,530.27
Graduates, other line personnel and clerical staff	47,457.59	40,849.44	45,361.89	39,776.26
Supervisors	15,519.29	15,477.62	19,470.23	17,199.27
Sales staff	74,234.69	56,985.55	100,026.47	70,957.34

Average remuneration by age (€)*	**2020**	**2021**
<30 years old	26,752.31	26,711.80
30-50 years of age	45,590.86	45,295.17
50 years old and over	69,740.61	67,005.91

**Remuneration calculated on a cash basis*

- Wage gap:

Wage gap by professional category*	2020	2021
Senior executives	41.97%	3.37 %
1st Management Level	-9.57%	2.68 %
2nd Management Level - Middle Managers	19.08%	22.78 %
Graduates, other line personnel and clerical staff	13.92%	12.31 %
Supervisors	0.27%	11.66 %
Sales staff	23.24%	29.06 %

** The gap was calculated as follows:*
1- (average remuneration of women by professional category/average remuneration of men by professional category.

- Directors' remuneration:

Total average directors' remuneration by gender (€) - executive directors*	2020	2021
Men	1,107,932.74	894,132.00
Women	N/A	N/A
Average total remuneration of directors by sex (€) -non-executive directors*	**2020**	**2021**
Men	161,640.44	174,477.37
Women	134,170.00	147,670.00

** Directors' remuneration is broken down in detail in the Company's Annual Director's Remuneration Report. In this report, it was calculated on an accrual basis and the fixed and variable salary was considered.*

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

The disconnection policies reflect the new needs of a society that is more aware of the need to reconcile work and personal life. In this respect, the Company has not yet adopted a formalised written procedure in this area. However, TR promotes work-life balance as one of its priorities in human resources management. For many years, the Company has been committed to establishing a flexible working hours model in its offices in Spain, based on trust and commitment to its employees. This model allows workers to manage their time and perform their professional activities while enjoying a better quality of life.

On the other hand, since the beginning of the pandemic, the Company implemented a series of measures in relation to work organisation to reduce the risk of exposure of its employees to the new virus.

In anticipation of the approval of the State of Alarm by the Spanish Government, from 10 March 2020 TR allowed parents/guardians of children under 14 and vulnerable groups to work remotely, extending this recommendation to all workers in Spain from 13 March. Since then, this option has opened up a way to facilitate the reconciliation of work with family responsibilities, resulting in the extension of the Group's work-life balance policies, allowing employees greater flexibility in their working hours (the possibility of starting the working day between 7:00 and 10:00 am, lunch time of between half an hour and two hours, and departure from 4:45 pm from Monday to Thursday and from 1:30 pm on Fridays).

Gradually, from November 2020, TR began to increase the number of personnel incorporated in person at the offices, ensuring a maximum of 50% until October 2021, establishing on 4 October the return of 100%

of the workers to the Company's central offices. However, on 21 December, with the arrival of the Omicron strain, and the consequent increase in cases, a maximum of 50% of staff working in person at the offices was reintroduced, and the 6 + 2 working system was introduced, allowing 6 hours in person and 2 hours of remote work for all employees.

In the new pandemic context, in which telecommuting has become essential for the development of the activity, cybersecurity has become a critical priority for TR. For this reason, in addition to all the existing measures, new ones have been approved since the start of the pandemic to reinforce the robustness of its IT systems and prevent any type of breach in this regard. These include the following: browsing protection, anti-information leak protection for non-corporate services and equipment, implementation of two-factor authentication, user awareness and training, segmentation of IT assets into layers, improved monitoring of equipment, establishment of on-site IT teams throughout the pandemic, etc.

15.4.3. Disabled employees

In its commitment to effective labour integration and development, Técnicas Reunidas has a total of 27 employees with disabilities, compared to 28 in 2020, offering them stable and quality employment on equal terms.

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

15.4.4. Training

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

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

a. ‘Evaluation process and information records of employees’ procedure: assures the quality of talent management processes.
b. ‘Skills, training and awareness procedure’: ensures that people are capable of performing the tasks assigned to them.
c. ‘Annual training plan and course management’ procedure: describes the Company’s training plan preparation process, along with how the specific training actions are requested under the plan.

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

To this end, TR analyses the trends in the assessment of skills and knowledge in each area. This procedure was updated this year in order to identify the specific deficiencies and apply specific training programmes (training itineraries) for each job. In addition, after each training session the participants’ supervisors receive a questionnaire to assess the effectiveness of the training and identify potential improvements and adjustments to the training for the future.

As a result of the situation arising from the pandemic, in 2020 TR saw the need to restructure the training plan, establishing as a key aspect the commitment to digital solutions, followed by the rest of the Company's areas. In this context, three main lines of action were established, which were continued this year:

- **Virtual Classroom Project**: through a corporate tool and the instruction of internal trainers, numerous training actions planned within the Training Plan have been channelled, both of a technical and skills nature.

- **PHAROS Project**: e-learning platform with more than 350 courses, mainly of a technical nature in the construction, engineering and new technologies sector, which is open 365 days a year to all TR Group employees.
- **Homemade content factory**: production of homemade multimedia material to provide training through the corporate tool TR Aula, including collaborations with HSE, as well as all kinds of small training pills and workshops.

Similarly, to ensure the continued implementation of organisational, hygiene and technical measures related to COVID-19 by employees, the training department has continued with specific courses on this subject, including preventive measures for returning to the offices and general measures for prevention and effective psychological coping with lockdowns.

Training by category (h)*	2020	2021
Senior executives	35	26
1st Management Level	300	574
2nd Management Level - Middle Managers	2,478	3,096
Graduates, other line personnel and clerical staff	154,406	213,815
Supervisors	132	243
Sales staff	410	175
TOTAL	**157,760**	**217,929**
Training by type (h)*	**2020**	**2021**
Skills	4,906	6,728
Languages	3,407	4,885
Technical	149,447	206,316
TOTAL	**157,760**	**217,929**

**In 2021, the methodology for calculating the hours of training given to Técnicas Reunidas employees at worksites (including the categories of Graduates/Technicians/Administrative and Technical training) was revised. To ensure the comparability of the 2021 data with that of 2020, the training data for the previous year has been recalculated using the new estimation methodology.*

The training hours delivered in 2021 increased significantly over 2020 (38% more). This increase is partly due to the implementation of online training platforms (started in May 2020) and the increased use of Virtual Classroom tools. Training hours are gradually returning to the levels that existed before the COVID-19 crisis.

15.4.5. <u>Equality</u>

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

The main policies are based on the principles expressly set out in TR's Code of Conduct (available on the website), which states that TR 'does not accept any discrimination in the work or professional environment on the grounds of age, race, colour, sex, religion, political opinion, nationality, social origin, disability, sexual orientation or any other circumstance that could lead to discrimination'.

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

In 2020, the Company created a new Equality Committee to analyse the current situation and possible conflicts in these areas and, if necessary, take appropriate measures. Throughout this year, TR worked on the drafting and negotiation of a new Equality Plan for all Group companies, which is expected to be approved in 2022. In addition, this year, TR has implemented a Sexual Harassment Protocol that gives continuity to the existing Anti-workplace and Sexual Harassment Policy in the Company, which has been negotiated and agreed with the trade union representatives of the different companies of the TR Group. The Company has also established labour contract clauses in certain countries to prevent this type of situation.

In addition, the Company has various initiatives to prevent racist and discriminatory behaviour, such as the development of training projects aimed at managers to improve understanding of the local culture and diversity of workers in the locations where the Company operates.

Thanks to these procedures, TR carries out the identification, management and mitigation of risks that may arise in this field during the Company's activities. The implementation of all these preventive measures has prevented the appearance of any significant impacts in this regard.

15.4.6. Occupational health and safety

In 2021, both the head office and the construction projects continued to develop significant occupational health and safety management in the context of the pandemic, which has continued to affect the Company globally, albeit in a milder form. Achieving a safe and healthy environment for everyone involved in Técnicas Reunidas' business is a goal that requires constant effort by employees to improve on a daily basis, and that effort must be guided by company management.

To achieve full integration of occupational health and safety throughout the life cycle of Técnicas Reunidas projects, the Company has had an Occupational Health and Safety Management System (SGSST) in place for 14 years. The application of the Occupational Health and Safety System is part of the Corporate Quality, Safety and Environment Policy (QHSE) and is based on three pillars: accident and incident prevention, integration of health and safety in corporate strategy and continuous improvement of methods and processes.

In 2021, TR's Occupational Health and Safety Management System successfully passed the first follow-up audit based on ISO 45001, to which the system was migrated in 2020. In this context, the QHSE Policy was updated in March 2021 in order to adapt it to the new requirements of the new ISO 45001 and 14001 standards.

In HSE matters, TR's leadership is increasingly visible among the Company's management as a standard bearer of a company that cares for the well-being and health of its workers, encouraging their consultation and participation. This commitment became more evident from 2020 and has continued during 2021, thanks to all the efforts and resources aimed at mitigating the risks and effects of COVID-19. It is worth mentioning that during this financial year a single HSE department was created for the entire Company, transferring the functions of the Occupational Risk Prevention Service to the Human Resources Department, thus optimising and centralising all functions in a single department.

During 2021, the impact was less than in 2020 and the risks involved for the Company's activity have been decreasing. However, the COVID-19 Monitoring Committee created in 2020 has continued to correctly manage the risks caused by the virus, adapting the measures implemented to the evolution of the cases and the requirements established in each country.

As a result of its commitment, Técnicas Reunidas has HSE diligence procedures that cover all of the Company's activities, based on an exhaustive analysis of risks and opportunities, as well as an analysis of the needs and expectations of its stakeholders. As a result of these assessments, the following risks associated with TR's HSE activity were identified:

- Hiring of personnel with little experience in health and safety derived from the demands in the increased hiring of local labour by clients.
- Increase in high-risk activities due to the increase in the scope of the commissioning and start-up phases of the projects.
- Adaptation to the characteristics and safety requirements of new countries, clients and subcontractors.
- High rate of potentially serious incidents that can lead to serious accidents if immediate action is not taken.
- Exposure of staff to potential contagions both in offices and on site.
- High volume of workers difficult to manage from an HSE point of view taking into account the factors derived from COVID-19: social distancing, reduced capacity, limited travel of HSE personnel to projects, quarantine periods, etc.

To mitigate the risks to which the Company is exposed, as well as to guarantee the correct implementation of the management system and its adaptation to the established objectives, HSE assessments are carried out for the pre-qualification of subcontractors, as well as follow-up audits defined in the internal corporate health and safety plans and audits. 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.

On the other hand, external audits are performed on projects at the construction phase, in order to maintain international Health and Safety management system certifications. In this context, the internal audits carried out in the projects in 2021, the methodology has been homogenised following the merger of TR and INITEC, and as a result, there are no scores but colour codes, maintaining the standard AENOR structure of recommendations and development of corrective actions based on the ‘non-conformities’ detected. During this financial year, the restrictions derived from the pandemic have continued, however, it has been possible to carry out 9 internal corporate audits for Técnicas Reunidas (compared to the 3 carried out in 2020) in the construction phase of the projects.

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

During 2021 and due to the pandemic situation, the Company maintained the protocols established in the previous year on a temporary basis for as long as the situation persists, to avoid the risks associated with the new virus, adjusting its occupational risk prevention system and approving a battery of extraordinary measures to ensure a safe and healthy working environment. As part of this management, the HSE department and the Group's Occupational Risk Prevention Service have played a decisive role through their direct involvement in the COVID-19 Monitoring Committee. This body, created in February 2020 and advised by external experts in the area of external health and safety, has had as its main objective to ensure the health and safety of all employees through direct contact with the competent authorities and coordination with the different areas of the Company. TR has been setting the guidelines to be followed by the Company in all aspects related to the pandemic and has promoted a corporate Contingency Plan with measures such as:

- Establishment of specific protocols (entrances, exits, action in the event of symptoms, use of common areas, safe return to offices, quarantine periods, etc.).
- Reinforcement of the company's medical services and follow-up of all positive cases and close contacts.
- Remote working option for staff at different times of the year.
- Provision of shuttle buses in offices to avoid the use of public transport.
- Provision of face masks and sanitising products for workers.
- Reducing the capacity and spacing of workplaces beyond the legal requirements.
- Establishment of weekly in-person office shifts to ensure a maximum of 50% in-person.
- Ongoing prevention campaign, including information and training, promotion of employee health and safety.
- Campaigns to carry out rapid tests for employees prior to their return to work.
- Exhaustive signage in offices.
- Daily building inspections and disinfection of buildings.
- COVID-19 mailbox and chatbot in virtual workspaces to answer questions.

As an extension of the corporate Monitoring Committee, local COVID-19 monitoring committees were created in March 2020 in the different geographical areas where the Company operates, comprising HSE, Project Management and HR. These committees have continued to carry out their functions throughout this financial year, with responsibility for providing support to all the countries in each geographical area, in addition to transmitting to the corporate COVID-19 Monitoring Committee the situation in each country and therefore the necessary sensitivity for corporate decision-making, always adapted to local circumstances.

One of the main lines of action carried out in 2020 was the implementation of specific plans for both work centres and projects, which were maintained in 2021. Similarly, similar measures have been taken as for offices, incorporating an annex with preventive measures to combat the virus to the current HSE plans and issuing specific contingency plans against the virus.

In the area of the pandemic, Técnicas Reunidas has also generated a series of indicators to support the monitoring and management of the impacts caused by the pandemic. These include: number of confirmed positive cases; number of close contacts; COVID-19 observations by workers; deviations detected in safety inspections; and non-conformities in internal and external audits. Likewise, in projects in the construction phase, the HSE teams have been responsible for reporting any positive cases and managing their recovery and isolation based on local health and safety protocols.

In addition, since 2020, the Company has had the e-risk tool for the identification and management of risks and opportunities of the Occupational Health and Safety Management System at all levels of the company, in addition to the updating of the occupational risk assessment taking into account the COVID-19 context and telecommuting.

The Company also works to ensure the standardisation of health and safety procedures throughout the entire organisation, in order to guarantee maximum efficiency in the dissemination and assimilation of corporate policies. This objective is based on an intensive drive toward training. During 2021, there were 1.80 hours of on-site training provided in this area for every 100 hours worked (84% more than in 2020), taking into account the personnel of both the Company and its subcontractors.

In the context of training, this year, an identification of the necessary training in occupational health and safety was carried out according to the job position held.

With regard to the effectiveness of its safety policies, Técnicas Reunidas assesses their performance through a system of indicators. The information reported relates to the projects and offices, although it is in the construction phase that an increased security risk is identified. Given the different degree of risk associated with each type of activity and the different scope of the indicators (the construction site accident rates refer to employees and subcontracted workers, while the office accident rates refer only to employees), the Company reports the construction site and office accident rates separately, which are shown in the tables below:

	On-site accident rates					
	Value of the indicator in 2020			**Value of the indicator in 2021**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Lost time incident rate* (LTIR)	-	0.020	**0.020**	-	0.005	**0.005**
Total recordable incident rate** (TRIR)	-	0.051	**0.051**	-	0.026	**0.026**
Severity Rate*** (SR)	-	0.001	**0.001**	-	0.001	**0.001**
Occupational illness rate	-	-	**-**	-	-	**-**

	Office accident rates					
	Value of the indicator in 2020			**Value of the indicator in 2021**		
	Women	**Men**	**Total**	**Women**	**Men**	**Total**
Lost time incident rate* (LTIR)	0.605	0.233	**0.325**	0,077	0,130	**0,111**
Total recordable incident rate** (TRIR)	1.411	0.465	**0.700**	0,309	0,391	**0,362**
Severity rate*** (SR)	0.050	0.051	**0.051**	0,003	0,005	**0,004**
Occupational illness rate	0	0	**0**	0	0	**0**

** LTIR (Lost Time Incident Rate): (No. of incidents involving lost time/No. of hours worked) * 200,000. This index refers to the frequency of accidents.*

*** TRIR (Total Recordable Incident Rate): (No. of recordable incidents [according to OHSAS] involving lost time/No. of hours worked) * 200,000. This index refers to the frequency of accidents.*

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

The construction work in the year involved 120,993,882 working hours (versus 132,739,474 in 2020), including hours worked by subcontractors, meaning that the Company has had to manage a volume of more than 42,394 workers at peak time (including Company and subcontractor workers), 20% less than in the previous year.

It is worth mentioning that this year the number of accidents with sick leave was lower (3) than in 2020 (13), and although the number of hours worked during the year was also lower than in 2020, the accident rate corresponding to accidents with sick leave (LTIR) was significantly reduced (75%). Likewise, the recordable accident rate (TRIR) on construction sites decreased by 48% and the severity rate (SR) decreased by 13%.

In terms of office accident rates, despite the return of staff to the offices in the last quarter of the year, there was also a significant decrease in all indicators (around 69%).

In addition to the data mentioned above, the Group monitors absenteeism rates throughout the Company. The hours of absenteeism for 2021 and their evolution are shown below:

	Value of the indicator in 2020	**Value of the indicator in 2021**
Total number of absenteeism hours	251,685	507,730

**For 2021, due to the improvement in the information recording systems generated by the implementation of SAP in several Técnicas Reunidas subsidiaries, there is a better recording of types of absenteeism that were not previously included in the calculation of the figure. For this reason, the absenteeism data for 2021 is much higher than in 2020, and cannot be considered comparable to analyse its evolution between years.*

15.4.7. Social relations

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

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

With regard to the mechanisms and procedures the company has in place to promote employee involvement in the management of the company, in terms of information, consultation and participation, the company carries out work climate surveys every two years to find out how satisfied its employees are with their jobs, their relationship with the company and their superiors, and their workload, through which action plans are developed. Because of the implications caused by the impacts of the pandemic, TR has suspended these surveys, focusing these questions largely on the management of COVID-19. However, the Company plans to resume them starting in 2022.

15.4.8. Employees covered by a Collective agreement

For all countries where there is a collective bargaining agreement, 100% of the employees are covered by the collective bargaining agreement associated with the activity licence granted to the Company (engineering, construction, etc.), as in 2020. In addition, health and safety clauses are included in all collective agreement, which are adapted to the corresponding local legislation.

15.5 Information on respect for Human Rights

From the outset and as one of its priorities, Técnicas Reunidas has always acted with integrity and respect for Human Rights in the exercise of its business, incorporating these principles as part of TR’s corporate culture. To this end, the Company has a sustainability management framework based on a specific corporate policy describing the Group’s main commitments in corporate, environmental and social governance, including respect for Human Rights among its social commitments.

Accordingly, the Company has developed various internal policies and procedures to ensure its consistent compliance everywhere it conducts business, including the Company’s Code of Conduct. In the specific area of Human Rights, the Code establishes a commitment to act on all occasions in accordance with the legislation in force, obtaining declarations of compliance with these rights with respect to internationally accepted ethical practices.

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

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

These self-imposed requirements for Company also extend to the value chain. In this vein, TR requires its business partners (e.g., suppliers or subcontractors) to adhere to a series of guidelines in environmental, labour and humans rights matters. To identify and repair possible abuses, the Company carries out Human Rights compliance assessments.

Técnicas Reunidas' requisites also feature an initial approval procedure that ensures that the supply chain operation will always be performed in accordance with the law and complying with all specific human rights conditions, in accordance with the type of business and level of risk.

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

With regard to the Code of Conduct, the Company also has a Whistleblower Channel (Code Mailbox) to facilitate the reporting and prevention of breaches and other matters related to the Code of Conduct, such as human rights.

In relation to the Whistleblower Channel, during 2021 and with the aim of adapting to European Directive 2019/1939 on whistleblower protection and best practices in this area, TR has implemented a new, more secure and comprehensive tool that allows, among other things, the submission of anonymous reports without losing the fluidity and continuity of the records of two-way communications with their manager. With this new tool, TR replaced the 'mailbox' through which complaints were received until October 2021, and has made the new 'GlobalSuite' platform available to its employees and third parties with whom it has dealings.

To facilitate the implementation of the new platform and raise awareness of its functions, the Company launched a campaign to inform about its implementation and has developed a user guide that can be downloaded from the TR website.

This year, a total of 9 reports have been received through the Code Mailbox, 7 of which have been resolved to date, with the rest being analysed and investigated.

None of these reports are related to respect for freedom of association and the right to collective bargaining, discrimination in employment and occupation, forced or compulsory labour or child labour, and in no case have they had any impact on the Company as they have all been duly handled.

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

Lastly, it should be mentioned that COVID-19 had no effect on the management of the Company's human rights, nor was there any impact in this regard.

15.6 Information related to the fight against corruption and bribery

15.6.1. Management approach

The Code of Conduct, together with the integrity policies, including the Anti-Corruption Policy, are the fundamental tools used by Técnicas Reunidas to prevent corruption, bribery and money laundering activities.

The Group also has a Regulatory Compliance Area, tasked with the dissemination of the Code of Conduct and related policies, management of the whistle-blowing channel for complaints about breaches of the Code of Conduct and the review and adaptation of prevention and reporting systems, as well as dissemination and training in this area.

Throughout 2021, Técnicas Reunidas continued to implement its Criminal Compliance Management System in new geographical areas such as Colombia and Peru, and has updated its policies, training and effectiveness in order to adapt it to international standards and best practices.

This system enables the Company to minimise risks and enhance its capacity in the prevention, detection and response to critical issues in regulatory compliance and integrity. The Company is currently deploying this system internationally, which is expected to be completed over the next few years, with the implementation of an IT tool that will allow for more optimal monitoring and thus provide greater control of regulatory compliance in all the Company's subsidiaries and projects around the world, thereby reducing the associated risks. In the coming years we also intend to implement these objectives in local operations. In addition, this year TR defined a Risk and Control Matrix within the scope of this system.

TR's risks in relation to corruption and bribery, both active and passive, are located in the establishment of commercial relations with third parties, especially in new markets and during the critical phases of these relations, such as the initial contact phase, the sales phase, the negotiation phase, and the project execution phase, until their completion and delivery to clients.

In this context, to reinforce the integrity of its supply chain, the Company has a specific Code of Ethics for suppliers and subcontractors, detailing the minimum requirements in ethical, social and environmental matters, which was updated over the course of 2021.

Lastly, to strengthen the Criminal Compliance Management System, TR has various integrity policies including: Criminal Compliance Policy (updated over the course of 2021) and Catalogue of Criminal Risks and Expected Conduct, Gifts and Entertainment Policy, Policy on Relations with Public Officials and Equivalents, Anti-corruption Policy, Conflicts of Interest Policy and the Antitrust Policy.

In addition, during the 2021 financial year, TR has implemented the Third Party Due Diligence Policy, which was approved in the previous financial year. It establishes an integrity procedure for its business partners, which includes an analysis prior to the establishment of business relationships to assess and determine whether they, on the one hand, maintain a similar anti-corruption and anti-bribery culture and, on the other hand, allows for the early detection of adverse references of these counterparties in terms of corruption and bribery.

The establishment and dissemination of these policies, through face-to-face and online training sessions, and their internal publication on the TR Group's intranet, lead to the conclusion that the objective of these policies has been met, in that the organisation and all its members have been made aware of the standards of conduct expected of the organisation with regard to corruption and bribery risks, based on the principle of 'Zero tolerance for corruption and bribery'.

In this context, the Compliance team continued its anti-corruption and anti-bribery training, mainly aimed at TR's management team, given their key role in the Group's decision-making chain.

In terms of whistleblowing, during 2021 there was only one report of corruption and bribery, which was satisfactorily resolved, where it was the Company's own employee who reported the offer of bribery by an employee of one of its subcontractors, with TR therefore being in the position of a whistleblower.

15.6.2. Contributions to foundations and non-profit entities

In 2021, Técnicas Reunidas allocated EUR 282,980.51 to foundations and non-profit organisations compared to EUR 265,758.02 in 2020, increasing its contribution by 6.09%. For more information see section 15.7.2.

In relation to the evolution, TR has adjusted the global amount to adapt it to the circumstances of the year 2021, both of the Company itself and of the third parties to whom these actions are destined. However, the Company made a social investment of EUR 1.84 million in 2021, as detailed in section 15.7 below.

15.7 General information on the company

15.7.1. The company's commitment to the sustainable development of local communities

Técnicas Reunidas is one of the most important companies in its sector on an international scale, with a presence in 25 countries and a track record that totals more than 1,000 industrial plants throughout its 60 years of experience.

Técnicas Reunidas' activity is mainly focused on the development of engineering projects, design and construction of industrial plants for the production of clean fuels, natural gas and chemical products, and solutions linked to the energy transition, circular economy and decarbonisation (renewable hydrogen, biofuels, waste recovery, CO_2 sequestration and capture, etc.).

Técnicas Reunidas contributes with its activities, which must be carried out in accordance with the principles set out in the Sustainability Policy, to the protection of the environment and the fight against climate change through the development of technical solutions that enable the design and construction of sustainable and efficient plants for its clients. This in turn generates quality employment for its professionals and contributes to the progress of the communities in all the territories in which the Group is present, both economically and from the point of view of business conduct, promoting equality, fostering innovation and carrying out numerous activities so that the execution of its projects makes a significant contribution to the development of the communities present in the places where they are executed.

A determining strategic element for the success of Técnicas Reunidas' business activities is the contribution of its activities to the communities in which the Group operates. In its work, the Company takes as a reference the United Nations Sustainable Development Goals (‘SDGs’), whose principles it accepts and supports. The purpose of this approach to its activity is to place the Group at the forefront of best practices in the field of these Goals and to consolidate Técnicas Reunidas as one of the leading companies in this area.

Thus, the Company carries out activities aimed at increasing the social contribution generated by the Group's business activity, as the main source of value creation for the communities in which it operates, contributing with its activity to the production of clean fuels, natural gas and chemical products, and solutions linked to the energy transition, the circular economy and decarbonisation, and implementing measures to contribute to the development of vulnerable groups through sponsorships, collaborations and other actions and, in general, through a committed global institutional strategy that involves its stakeholders and promotes the design and execution of awareness-raising plans on various issues that contribute to sustainable development.

In this sense, Técnicas Reunidas' sustainability strategy is transversal and covers all its activities, both corporate and operational. It includes aspects of corporate governance, the environment and relations with society, all in a coordinated action between the departments involved. This strategy aims to provide added value, reinforcing positive impacts and minimising potentially negative ones, and is subsequently adapted to all the projects executed by Técnicas Reunidas.

As part of the development activities of its Sustainability Policy, Técnicas Reunidas has approved its Sustainability Plan for 2021. This Plan considers the main sustainability actions of the Company as a whole and of its different areas and departments and aims to define specific actions linked to relevant issues for Técnicas Reunidas, which allow the correct implementation of the objectives and priorities expressed in the Técnicas Reunidas Sustainability Policy. The Plan has defined 12 main lines of action (climate and environmental neutrality, sustainable financing, sustainability governance, contribution to the SDGs, regulatory compliance or sustainable supply chain), establishes specific actions in the short, medium and long term and assigns these actions to the various areas related to them.

TR's commitment to sustainability has been rewarded by benchmark organisations in the field, such as Vigeo Eiris (score of 55/100, second best company in the sector), Gaïa (77/100 - sector average 53) and CDP, which has rated its supplier management with an A-.

To regularly assess its performance in this area, the Group uses indicators to analyse its contribution to sustainability. This aspect is key to understanding and weighing the impacts generated by its activity and the effectiveness and results of the actions implemented, thus measuring the Group's social contribution in the communities in which it operates. All this information, which is published periodically by the Company in its Integrated Report, enables the Board of Directors of the Company to define the Group's strategy, which is subsequently implemented by its various corporate and operational areas and departments.

The sustainable development strategy promotes the achievement of the goals listed below, based on the principles set out in the SDGs, in particular those in which the Company's activity has a differential value, such as goals 7, 9 and 13, referring to the supply of affordable and clean energy, to building resilient infrastructures, promoting inclusive and sustainable industrialisation and fostering innovation and the fight against climate change, respectively, in which the contribution to the achievement of these objectives is instrumented through the development of technical solutions that enable its clients to have efficient and sustainable industrial plants, thus promoting energy efficiency and universal access to energy services:

- Promoting the fulfilment of Técnicas Reunidas' purpose and continue to collaborate permanently with the implementation of a more sustainable, accessible and cleaner energy model.

- Sharing Técnicas Reunidas' social contribution with all its stakeholders, involving them in its business project.

- Promoting the achievement of the Group's strategic objectives in order to offer safe, reliable, quality and environmentally friendly industrial plants.
- Committing to sustainability, innovative management practices, equal opportunities, profitability, efficiency and productivity as instruments to improve the Group's competitiveness.
- Maximising the positive impacts of its activity in the territories in which the Group operates and minimising, as far as possible, the negative impacts; responsibly managing the risks and opportunities arising from the evolution of the environment, avoiding short-term approaches or approaches that do not adequately consider the interests of all stakeholders, using the most appropriate channels of communication, participation and dialogue with each of them.
- Resolutely promoting the occupational health and safety of its employees, as well as the rest of the associates and subcontractors working on our projects.
- Promoting a culture of ethical behaviour and encourage business transparency as an instrument to generate credibility and trust in stakeholders, including society as a whole.

As a consequence of all this, in its work TR assumes the following principles in relation to the different territories and communities in which it operates:

- Developing strong links with the communities in which the Group operates in order to generate trust and forge a sense of belonging to an excellent Company.
- Adapting the Group's activities in the different countries in which it operates to the different social and cultural realities of each of them.
- Strengthening relations with the different local communities, through support to public administrations or social organisations of reference, as well as by knowing the expectations of the stakeholders of these local communities.
- Respecting the rights of ethnic minorities in all the territories in which the Group operates.
- Conducting campaigns that promote the participation of the Group's professionals in solidarity actions, with the aim of fostering the improvement of people's quality of life, care for the environment and sustainable development.
- Encouraging the conservation and promotion of the cultural and artistic heritage of the territories in which the Group is present.
- Supporting initiatives that contribute to a healthier, more egalitarian and fairer society, such as support for the empowerment of women and promoting a work/life balance.
- Lastly, the Group will collaborate with projects in emerging and developing countries, paying special attention to the provision of sustainable solutions for building industrial plants that allow generalised access to energy.

During the execution of its projects, Técnicas Reunidas prioritises the identification and management of risks related to the local community, the most relevant risk for society being the potential damage to the local environment that could result from the execution of these projects.

To prevent this and any other risks from materialising, the Company has established a Social Management Framework (see box below). This enables the planning of specific actions in response to these issues, where coordination with the local environment and different stakeholders (public administrations, partners, suppliers, subcontractors, etc.) is crucial. Issues frequently identified by TR include the recruitment and training of local workers, the development of infrastructure in the local area, potential environmental effects and cultural needs. The Company also applies due diligence procedures to all the third parties with which it works.

SOCIAL MANAGEMENT FRAMEWORK	
Evaluation and management of social impact	Specific analysis at the bidding phase of the social impact of each project. Obtaining the 'social license' is the client's responsibility.
Projects supporting the local community	Técnicas Reunidas finds out about the needs and expectations of the local community so that it can analyse the ways in which it can support them according to the characteristics of each project.
Continuous monitoring of the local environment	Técnicas Reunidas continuously monitors the local environment, as well as the performance of third parties involved in the implementation of projects, including suppliers and contractors.
Social impact grievance and reparation mechanisms	Company analyses local regulations in order to detect negative social impacts and provide the appropriate grievance and reparation mechanisms.
Dialogue with local communities	Ongoing dialogue with representatives of the local community during the implementation of all projects is the responsibility of the project manager.

TR considers correctly selecting the employees who will work on its projects as one of the key elements for achieving these objectives to be particularly relevant, which is why the Company pays particular attention to this matter, from the hiring phase of the workers to their transfer to the project's work site. In this regard, TR has a management procedure that allows local hiring requirements to be met and balanced with the need for expatriate labour, within the deadlines established for the successful and timely implementation of projects.

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

- Employment generation in the local environment.
- Engaging local suppliers and subcontractors, which in turn reinforces the Company's positive economic contribution of around EUR 1,869.58 million in local procurement and contracting in 2021, representing 88% of total construction and services procurement and subcontracting expenditure (compared to EUR 2,062.83 million in 2020, or 79%).
- Training local companies and local labour through courses and workshops organised by the Company, available both to its own employees and, upon request, to employees of subcontractors who so request. As part of these efforts, the company made a social investment of EUR 1.84 million in 2021 for the training of local workers in the area where the projects are carried out.
- Strengthening of the local business network.
- Providing employment opportunities with highly skilled jobs.
- Creating key energy infrastructures through the Company's projects, paying special attention to the provision of sustainable solutions to build industrial plants that enable widespread access to energy.
- Developing initiatives with local communities that enable the development of particularly vulnerable groups. In 2021, social contributions of EUR 3,806 were made within the framework of its projects.

Below are some of the social and environmental actions carried out in the different projects in 2021:

- In the Talara project (Peru), employees carried out a series of activities with the local community in addition to specific financial donations both for the municipality and to cover the personal needs of local residents. Among the different actions, it is worth mentioning the donation of wood to make beds, tables and other small furniture for children with special needs and students, as well as various materials for the maintenance of the community's facilities, the purchase, installation and commissioning of a water tank in one of the inhabited areas, collaboration both financially and with different materials for the celebration of Women's Day and collaboration with various local entities such as the Association of Enterprising Women, the Association for the Disabled, the Dance Committee and the Municipality of the town of Negritos. As part of the COVID-19 prevention campaign, medicines, masks and supplies for specific groups were donated. Toys, school supplies and sports uniforms were donated to children in various campaigns.

- In the Duqm project in Oman, several activities were carried out throughout the year, including the delivery of 150 food packs during Ramadan to the communities in the area (in cooperation with the Omani Women's Association and the Duqm Charity Association), holding regular meetings with the Minister of Health and representatives of various women's associations, and carrying out work to improve the facilities of the Duqm public park, including the renovation of pipes, as well as the repainting of the walls, with more than 600 hours of work. Also, 2,000 gallons of water were donated weekly to local livestock farming communities and, as part of the collaboration with the Omani Women's Association, a hospital bed for children with special needs, 12 computer screens, printer cartridges, a projection wall and various stationery items were donated. Other activities also included cleaning local buildings, parks and adjacent roads, providing assistance in the installation of the Wali office flag, starting the construction of a fully equipped isolation ward at the Duqm Government Hospital with a capacity of 18 beds, participating in the beach clean-up campaign organised by SEZAD (involving 130 employees cleaning more than 3 kilometres of beach) and finally, at the request of the local community, providing wood for camel shelters.

- Workers on the Gas Train 5 (GT5) project at the Mina al-Ahmadi Refinery in Kuwait have been refurbishing the outdoor areas of the camps, maintaining the environment, cleaning and planting flowers and shrubs, thus fostering team spirit and creating a company culture.

- In the Duqm (Oman) and Marjan (Saudi Arabia) projects, safe driving awareness programmes were carried out for workers in charge of using vehicles on construction sites.

- Several projects took courses on COVID-19 management at the different facilities and on the measures taken, and have been recognised for their performance and monitoring of on-site prevention plans.

Lastly, in terms of impacts, no centres have been identified with significant actual or potential negative impacts, including those derived from COVID-19, on local communities due to the development of Técnicas Reunidas projects or operations during 2021.

15.7.2. Partnership or sponsorship actions

Técnicas Reunidas is committed to four main areas of work (education, social and business initiatives, culture and science and research) in its social work that demonstrate its commitment in this area and which are deployed through numerous activities and projects.

To carry out this social work, the Company locates and evaluates other organisations that share its objectives and with which there is an opportunity to collaborate, both financially and through other instruments, such as participating in working groups or forums. Among others, the following actions stand out:

Main organisations Técnicas Reunidas collaborates with

Promotion of business and entrepreneurial activity

Commitment to social action by Técnicas Reunidas

Culture

Science and research and education

TR collaborates with various leading organisations in the field of sustainability, such as the Global Compact, Carbon Disclosure Project, and the Club de Excelencia en Sostenibilidad (Sustainability Excellence Club).

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

In the area of association and sponsorship, the main risks are those derived from the possibility that improper actions by a third party could generate reputational problems for the Company. To avoid any type of contingency in this regard, TR carries out due diligence procedures in this type of activities, assessing in each specific case whether the organisations with which TR works could be detrimental to the Company.

15.7.3. Subcontracting and suppliers

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

To reinforce the integrity of its supply chain, the Company has a specific Code of Ethics for suppliers and subcontractors, which was updated over the course of 2021, detailing the minimum ethical, social and environmental requirements, and that the Company requires the companies to adhere to by registering in the e-supplier portal. Alongside this, TR has a series of specific requirements on environmental and labour matters and the protection of human rights, including specific requirements in line with standard ISO 14001, compliance with environmental legislation and sustainability reporting. On the other hand, the Company has a Business Partner Liaison Policy for, among other aspects, carrying out due diligence procedures on suppliers and subcontractors.

In terms of risks, TR carries out an analysis of those non-financial risks that, due to their characteristics, are of greater relevance to the Group, such as collaboration with suppliers and subcontractors that are not committed to Human Rights (according to the framework of action of the United Nations and the International Labour Organisation), included on international corruption lists, that do not have an anti-money laundering and countering of financing of terrorism policy, or that do not have confidentiality policies.

In this context, throughout 2021, the Compliance Unit reinforced and carried out the implementation of the Due Diligence Policy on third parties, the content of which was updated in 2020. This involves the development of analyses prior to the establishment of business relations with subcontractors from the point of view of integrity, especially in the protection of human rights and prevention of corruption. Thanks to this policy, preliminary risk levels are established that give rise to integrity analyses (standard, reinforced or very reinforced), through which it is determined whether third parties maintain a similar culture in this area.

With the aim of seeking a more efficient way of working, Técnicas Reunidas has begun to digitalise the Third Party Integrity Assessment procedure and has established standardised alerts in the database that detect those companies in which compliance risks have been identified.

In addition, to increase security and reduce risk in the supply chain, Técnicas Reunidas expressly regulates the subcontracting of work and services to critical suppliers and subcontractors through clauses included in the corresponding contracts. In 2021, the evaluation of third parties in terms of cybersecurity and privacy has also begun through the e-Supplier tool, in which the new Code of Conduct for Suppliers and Subcontractors has also been updated, as well as the Compliance questionnaires.

The risks in the supply chain include production risks (which are minimised through exhaustive monitoring of the progress of work), financial risks (managed through an assessment of subcontractors prior to awarding contracts) and those associated with lack of quality (which are controlled by monitoring their performance). It is also important to mention that in recent years, due to COVID-19, the Company has seen a particular increase in risks related to delays or cancellations of projects and delivery of materials, as well as the impact on execution costs and commercial conditions of construction work.

The outbreak of COVID-19, although less severe this year, has posed a challenging challenge for TR's business development, the consequences of which have put great pressure on supply chains at all levels. In the particular case of TR, the Company's supply chain management has been exposed, especially in terms of inspection and logistics activities. In particular, the following impacts have occurred as a result of these exceptional circumstances:

- Total and partial shutdowns of workshops and factories worldwide, resulting in delivery delays and reduction of materials, with the consequent slowdown of some projects.
- Extension of investments by clients, causing an overstock of materials and delays in payments.
- Lack of supply of services.
- Cancellation of inspections as a result of travel constraints.
- Travel limitations, which has directly influenced the lack of site personnel.
- Variations in shipping and execution costs.

However, this complex situation has highlighted the creativity, responsiveness and commitment of the different teams involved in the management of the Company's purchases and subcontracting, as well as that of clients, subcontractors and suppliers. As a result, TR has been able to strengthen its operations and improve the efficiency of its processes thanks to the way in which the response to this crisis has been handled. The main actions that have been taken to adapt the supply chain and project implementation to the effects of COVID-19 are detailed below:

- Implementation of the safety measures decreed by the health authorities of the different countries in which the Company operates. Creation of the COVID-19 Monitoring Committee, as well as on-site crisis committees.
- Reinforcement of internal communication and coordination.
- Continuous communication with subcontractors in order to adapt contractual terms (with the prior authorisation of clients), as well as to quickly and efficiently solve problems caused by the pandemic in all areas of work on site.
- Negotiation of new terms and agreements with subcontractors.
- Acceleration of the Company's digital transformation process (in relation to the supply chain, the continuous improvement and development of advanced digital platforms for project management, the digitisation of processes and the promotion of remote inspections, among others).
- Finding logistics containers within the same country of origin, to ensure supply to the site.
- Slowing down the awarding of logistics services contracts in projects close to the start of the execution phase, to avoid contractual commitments that would force the project to operate with transport costs affected by the volatility of the markets.
- Coordination of the real need for materials on site between procurement and construction to assess potential delays and avoid extra transport costs.

In addition to the tools mentioned above, TR has a worldwide database of 27,062 material suppliers and construction subcontractors (in 2020 it had 25,808 total suppliers), of which 2,099 suppliers and 1,150 subcontractors have already been approved by the Company (compared to the 2,426 suppliers and 586 subcontractors approved in 2020). This global supplier market with updated information allows the Company to mitigate the risk in the selection of suppliers and subcontractors from the financial, performance and quality points of view, among other aspects.

Due to the nature of its business, each year the Company handles high volumes of purchases and subcontracts. In 2021, the total spending on purchases from suppliers of materials and engineering subcontracts stood at EUR 2,124.20 million. In relation to the employees of construction subcontractors, these exceeded 39,605 workers on average assigned to TR projects (with more than 42,394 at peak times).

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

These two areas manage the TR supply chain in accordance with five axes:

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

As described in paragraph 15.7.3 above, TR considers social and environmental responsibility as part of its relationships with its suppliers and subcontractors. These aspects are not only considered in the approval process, but are kept in mind throughout the relationship with suppliers, monitoring their compliance. After the delivery of the supply or completion of the assembly services, the performance of the supplier and the subcontractor are assessed in accordance with various aspects. The results of evaluations are disclosed and serve as a reference in identifying improvement actions. Safety and environmental performance are two of the aspects included in Técnicas Reunidas’ evaluations. Since 2014, the Company has required a specific audit report on these areas based on information gathered during inspection visits to the workshops.

Within the framework of the Sustainability Policy, in 2021, the procurement area implemented new ESG scopes in project workshop inspections, as well as new ESG requirements for third parties in the forms included in e-Supplier, resulting in the adoption of new ESG criteria within the processes related to the supply chain and reaffirming TR's commitment to improve its social and environmental performance.

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

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

In the event that TR detects an environmental, social or ethical deviation, this is then studied in detail. Depending on the type of deviation and its severity, the supplier or subcontractors is required to take corrective and preventive action, and if the deviation is serious, blacklisting may be considered for new tenders or contract awards.

In 2021, a total of 920 HSE audits were carried out (716 were carried out in 2020), of which 861 were completed successfully (compared to 652 in 2020) and 73 were not completed successfully (64 were not passed in 2020). All audits featuring incidents will be appropriately addressed by TR with the implementation of improvement plans. The increase in HSE audit indicators is due to the combined effect of the implementation of the 'Inspection Management App' in almost all TR projects during 2021, which has streamlined and facilitated the process of HSE inspections in supplier workshops and will contribute to an improvement in HSE conditions in the workshops with which TR usually works and a gradual increase in recurring activity in TR's projects

In addition, the company carried out, as it does every year, an assessment of the supply chain according to social and environmental criteria. In 2021, a total of 427 suppliers were assessed based on both social and environmental criteria (494 in 2020). In no case were significant impacts identified in the supply chain in relation to these issues.

15.7.4. <u>Consumers</u>

Técnicas Reunidas does not have consumers, according to the concept that this term is associated with Spanish legislation.

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

To guarantee the health and safety of its clients, TR carries out its projects, where appropriate, at sites owned by the clients, who normally start operating the plant once it has been delivered by the Company, with the client assuming responsibility for the health and safety of its own workers.

With respect to the systems for claims, complaints received and their resolution, clients (who are not consumers) have a permanent dialogue with the manager of each specific project and, additionally, they have the possibility of communicating with members of the Operations management. The manager of each project is responsible for receiving any complaints that clients may wish to report to the Company. TR will assess (in each case with the collaboration of the necessary internal and/or external personnel) the merits of the claim and complaint and will approve the measures required for its resolution.

In addition, all contracts signed by the Company with its clients establish mechanisms and procedures for conflict resolution that are fully adapted to the circumstances of each client and project. Likewise, clients have at their disposal, as any other business partner, the Técnicas Reunidas Code of Conduct Mailbox.

TR's risks relating to the management of its clients are integrated into the Company's general risk procedure, and in general consist of the fact that adequate communication with the client is critical for correct execution of the projects. This communication must take place from the bidding phase, clearly defining their needs and the terms of the Company's proposal, through to the full completion of the project. Improper management of a client by the Company can lead to delays in execution, the application of penalties and, ultimately, the rescheduling or cancellation of the project. Similarly, a strong COVID-19 impact on the client may hinder the execution of projects by the Company, leading to delays or even cancellation of the project.

The main policy in this area is the Sustainability Policy. With regard to clients, the Policy establishes that the Group must work to understand the needs and expectations of its clients and thus offer them the best solutions, making a continuous effort to care for and increase their satisfaction, strengthening their link to the Group, and to this end it assumes the following principles of action:

- Providing advanced technical solutions that enable clients to have sustainable and efficient industrial plants in order to develop the best sustainability policies.
- Pursuing continuous improvement of the services it provides to its clients in the different countries in which it operates.
- Monitoring the quality of the service provided to its clients.

The Company applies the same due diligence procedures with its clients as it does with the other third parties with which it operates, which it classifies as high, medium or low risk third parties. The clients, in turn, are classified as high-risk third parties.

15.7.5. Tax information

The group operates in countries where it carries out a single project or a set of projects for the same client, and therefore information broken down by country may prejudice the commercial and implementation interests of the projects. The data are presented aggregated by geographical area using the same criteria used for different financial indicators presented in the consolidated financial statements.

On the other hand, as it is aware of its tax liability and the complexity of its operations, the Company has launched a tax model based on BEPS value chain criteria that seeks to correctly allocate taxation in those jurisdictions where value is created.

- Earnings by geographic area

	Earnings in thousands of euros	
Geographical area	**2020**	**2021**
America	98,562	- 9,715
Asia	22,804	14,443
Spain	(161,305)	41,513
Europe	(52,676)	- 63,214
Mediterranean	2,668	20,455
Middle East	110,505	- 182,212
	20,558	- **178,729**

**The figures for earnings before tax generated in Spain in 2021 do not include the results of the Spanish companies that make up the group but are consolidated using the equity method. The amounts not taken into account amount to EUR 1,072 thousand (EUR 675 thousand in 2020) in losses.*

Countries with earnings in the year by geographical area:

America: Argentina, Bolivia, Canada, Chile, Colombia, Dominican Republic, Mexico, Panama, Peru, United States of America.
Asia: Australia, Bangladesh, India.
Europe: France, Finland, Great Britain, Netherlands, Hungary, Italy, Norway, Poland, Portugal, Russia.

Spain: Spain.

Mediterranean: Algeria, Morocco, Turkey.

Middle East: Abu Dhabi, Azerbaijan, Bahrain, Jordan, Kuwait, Oman, Qatar, Saudi Arabia.

- Corporate income tax paid

	Income tax paid in thousands of euros*	
Geographical area	**2020**	**2021**
America	13,806	13,187
Asia	1,439	4,726
Spain	38,020**	28,047***
Europe	267	22
Mediterranean	195	989
Middle East	26,210	10,631
	79,937	**57,604**

* Information calculated on the basis of tax criteria.
** The amount of income tax paid in Spain in 2020 includes the payment of the 2012 and 2014 tax assessments equivalent to EUR 39,751 thousand and a tax refund for 2019 equivalent to EUR 5,102 thousand.
*** The amount of income tax paid in Spain in 2021 includes the payment of the 2013 and 2014 tax assessments equivalent to EUR 28,047 thousand.

Public subsidies received: EUR 1,779 thousand (compared to EUR 1,281 thousand in 2020)

15.8 About the non-financial information statement

By means of this non-financial information statement, Técnicas Reunidas responds to the requirements of Spanish Law 11/2018, of 28 December. This report has been prepared with reference to a selection of indicators of the GRI Standards identified in the table in compliance with Spanish Law 11/2018, of 28 December and taking as a reference the recommendations of the IIRC framework for integrated reporting.

With regard to the scope of this report, it includes all the companies in TR's financial consolidation scope, included in appendices I and II of the annual financial statements. Where there are significant changes in this regard, a clarification note will be included.

To design the contents of this report and select the most relevant aspects, TR has conducted a materiality analysis that has allowed it to identify the most relevant aspects to be reported to its stakeholders (see the stakeholders on pages 126-127 of the 2020 Técnicas Reunidas Integrated Report), and to respond to the requirements for reporting non-financial information based on current regulations.

In addition, in all aspects that are not material for TR, this report addresses the management approach but does not give detailed information on KPIS or other quantitative indicators, given that these are not considered as representative of the Group’s activities. The non-material aspects for the Company demanded by law are as follows: light and noise pollution, water consumption, food waste and biodiversity. For further information on the methodology used to conduct the materiality analysis, please see the chapter 'Reporting Practice for the Integrated Report', of TR's Integrated Report, published each year on the corporate website. In relation to this aspect, it should be noted that the Company has not considered it necessary to update its materiality analysis in 2021 as it has not identified any new demands from its stakeholders and its activity has remained stable despite the specific circumstances that occurred this year.

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

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

Content	Section	GRI indicator/associated reporting criterion
Business mode		
- Business environment, organisation and structure, and business model	15.1.1-15.1.4	102-2
- Markets in which the Company operates	15.1.4	102-6
- Objectives and strategies	15.1.6	102-14
- Factors and trends affecting the evolution	15.1.5	102-15
- Policies	15.2 / Section associated with each aspect of the Act	103 - Management approach for each material issue
Risks	15.2 / Section associated with each aspect of the Act	102-15
Environmental issues		
Global - Effects of the Company's activities on the environment and health and safety	15.3	103 - Management approach for each material issue related to the Environment
- Environmental evaluation or certification procedures	15.3	103 - Management approach for each material issue related to the Environment
- Application of the Precautionary Principle	15.3.8	102-11
- Provisions and guarantees for environmental risks	15.3.8	103- Environmental compliance
- Resources assigned to prevention of environmental risks	15.3.9	103 - Management approach for each material issue related to the Environment
Pollution - Measures associated with carbon emissions	15.3.1/15.3.2	103 - Emissions

- Measurements associated with atmospheric, light, noise and other types of pollution	15.3.2/15.3.6	Non-material/103-biodiversity/Air emissions, light pollution and noise are not considered relevant, and they do not generate significant impacts given TR's activity.
Circular economy and waste prevention and management - Initiatives for promoting the circular economy	15.3.3	103- Effluents and Waste
- Measures associated with waste management	15.3.3	103- Effluents and Waste
Actions to combat food waste	15.3.4	Non-material/103-Effluents and Waste
Sustainable use of resources		
- Water: consumption and supply	15.3.5	Non-material/103 -Water
- Raw materials: consumption and measures	15.3.5	103-Materials
- Energy: consumption, measures and use of renewable sources	15.3.5	302-1
Climate Change - Greenhouse gas emissions	15.3.2	305-1/ 305-2/ 305-3
- Climate change adaptation measures	15.3.2	103 - Emissions
- Emissions reduction targets	15.3.2	103 - Emissions
Other indicators - Taxonomy	15.3.2.1	Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 and related Delegated Regulations
Biodiversity - Conservation measures	15.3.7	Non-material / 103-biodiversity
- Impacts caused in protected areas	15.3.7	Non-material /304-2
Social and personnel issues		
Employment - Total number of staff and distribution by gender, age, country and professional classification	15.4.1	102-8/405-1
- Total number and distribution of employment contract types	15.4.1	102-8
- Annual average of permanent, temporary and part-time contracts by gender, age and professional classification	15.4.1	102-8/405-1
- Number of dismissals by sex, age and professional category	15.4.1	103- Employment
- Average remuneration and its evolution broken down by gender, age and professional category or similar value	15.4.1	405-2

- Wage gap, remuneration for equivalent jobs or on average for the Company	15.4.1	405-2
- Average remuneration of directors and executives	15.4.1	102-35
- Disconnection from work policies	15.4.2	103- Employment
- Disabled employees	15.4.3	405-1
Organisation of work hours - Work organisation	15.4.2	103- Employment
- Number of hours of absenteeism	15.4.6	103- Occupational Health and Safety
- Work/life balance measures	15.4.2	103- Employment
Health and safety - Occupational health and safety conditions	15.4.6	103- Occupational Health and Safety
- Work-related accidents, in particular their rate and severity, broken down by gender	15.4.6	103- Occupational Health and Safety
- Work-related illness, broken down by gender	15.4.6	103- Occupational Health and Safety
Social relations - Organisation of social dialogue	15.4.7	103- Worker-company relations
- Percentage of workers covered by collective agreements by country	15.4.8	102-41
- Balance of collective agreements on occupational health and safety	15.4.8	403-4
Training - Policies implemented in the field of training	15.4.4	103- Training and education
- Total number of training hours by professional category	15.4.4	404-1
Universal accessibility and integration for disabled people	15.4.3	103 - Diversity and equal opportunities/ 103 - Non-discrimination
Equality		
- Measures taken to promote equality, equality plans, employment promotion, anti-harassment protocols and non-discrimination and diversity management policy	15.4.5	103- Diversity and equal opportunity / 103 - Non-discrimination
Human Rights		
Due diligence procedures for human rights matters and if applicable, mitigation, management and repair.	15.5	102-16/102-17/103- Human Rights Assessment/103-Freedom of association and collective bargaining/103

		-Child labour/103- Forced or compulsory labour
- Complaints about cases of human rights violations	15.5	406-1
- Promotion and enforcement of ILO conventions on freedom of association and collective bargaining	15.5	407-1
Elimination of discrimination at work, forced or compulsory labour and child labour	15.5	406-1/408-1/409-1
Corruption and bribery		
- Measures taken to prevent corruption and bribery	15.6.1	103- Anti-corruption
- Anti-money laundering measures	15.6.1	103- Anti-corruption
- Contributions to foundations and non-profit entities	15.6.2	413-1
Company		
The Company's commitments to sustainable development - Impact of the Company's activity: employment, local development, local populations and in the area	15.7.1	103 - Local communities/ 103- Indirect Economic impacts
- Dialogue with local communities	15.7.1	103- Local communities/102-43
- Partnership and sponsorship actions	15.7.2	102-12/102-13
Subcontracting and suppliers - Inclusion in the procurement policy of social, gender equality and environmental issues	15.7.3	102-9 / 103 - Management approach to procurement practices
- Consideration of social and environmental responsibility in relations with suppliers and subcontractors	15.7.3	308-2/414-2
- Supervision systems and audits and their results	15.7.3	103 - Management approach to procurement practices
Consumers - Measures for the health and safety of consumers	15.7.4	103- Customer health and safety
- Claims systems, complaints received and complaint resolution	15.7.4	103- Customer health and safety
Tax information - Operating earnings by geographic area	15.7.5	103- Economic performance
- Corporate income tax paid	15.7.5	103- Tax
- Public subsidies received	15.7.5	201-4

Note: the indicators in this report were prepared with reference to the 2016 GRI Standards, with the exception of the following: 403- Occupational Health and Safety (2018)

16. Annual Corporate Governance Report and Directors Remuneration Report

The Annual Corporate Governance Report of Técnicas Reunidas, S.A. and the Directors' Remuneration Report for 2021 form part of the consolidated directors' report and, from the date of publication of the consolidated financial statements, are available on the website of the National Securities Market Commission and on the Técnicas Reunidas, S.A. website.

Técnicas Reunidas, S.A.
and subsidiaries

Independent Verification Report of the
Statement on Non-Financial Information
31 December 2021

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

Independent verification report

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

Pursuant to article 49 of the Code of Commerce, we have verified , with the scope of a limited assurance engagement, the accompanying Statement of Non-Financial Information ("SNFI") for the year ended 31 December 2021 of Técnicas Reunidas, S.A. (Parent company) and subsidiaries (hereinafter "Técnicas Reunidas" or the Group) which forms part of the Técnicas Reunidas' consolidated director's report.

Responsibility of the directors of the Parent company

The preparation of the SNFI included in Técnicas Reunidas' consolidated director's report and the content thereof, are the responsibility of the directors of Técnicas Reunidas, S.A. The SNFI has been drawn up in accordance with the provisions of current mercantile legislation and following the criteria of the Sustainability Reporting Standards of the Global Reporting Initiative ("GRI Standards") selected as per the details provided for each matter in the "15.8. About the non-financial information statement - Table of compliance with Spanish Law 11/2018, of 28 December" of the aforementioned Statement.

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

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

Our independence and quality control

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

Our firm applies International Standard on Quality Control 1 (ISQC 1) and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team consisted of professionals specialising in Non-financial Information reviews, specifically in information on economic, social and environmental performance.

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: +34 915 685 400, www.pwc.es

R. M. Madrid, hoja 87.250-1, folio 75, tomo 9.267, libro 8.054, sección 3ª
Inscrita en el R.O.A.C. con el número S0242 - CIF: B-79 031290

Our responsibility

Our responsibility is to express our conclusions in a limited assurance independent report based on the work we have performed. We carried out our work in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and in the Guidelines for verification engagements of the Statement of Non-Financial Information issued by the Spanish Institute of Auditors ("Instituto de Censores Jurados de Cuentas de España").

In a limited assurance engagement, the procedures performed vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement and accordingly, the assurance provided is also lower.

Our work consisted of posing questions to management as well as to the various units of Técnicas Reunidas that were involved in the preparation of the SNFI, of the review of the processes for compiling and validating the information presented in the SNFI, and in the application of certain analytical procedures and review procedures on a sample basis, as described below:

- Meetings with the Group's personnel to understand the business model, policies and management approaches applied, principal risks relating to these matters and to obtain the information required for the external review.

- Analysis of the scope, relevance and integrity of the content of the SNFI for the year 2021, based on the materiality analysis carried out by Técnicas Reunidas taking into account the content required by current mercantile legislation.

- Analysis of the procedures used to compile and validate the information presented in the SNFI for the year 2021.

- Review of information relating to risks, policies and management approaches applied in relation to material matters presented in the SNFI for the year 2021.

- Verification, by means of sample testing, of the information relating to the content of the SNFI for the year 2021 and that it was adequately compiled using data provided by the sources of the information.

- Obtaining a management representation letter from the directors and management of the Parent company.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that the SNFI of Técnicas Reunidas, S.A. and its subsidiaries, for the year ended 31 December 2021 has not been prepared, in all material respects, in accordance with the provisions of current mercantile legislation and following the criteria of the GRI Standards selected as per the details provided for each matter in the "15.8. About the non-financial information statement - Table of compliance with Spanish Law 11/2018, of 28 December" of the aforementioned Statement.

Emphasis of matter

The Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 relating to the establishment of a framework to facilitate sustainable investments, establishes the obligation to disclose information on the manner and extent to which the company's activities are associated with economic activities that are considered to be environmentally sustainable in relation to the objectives of climate change mitigation and adaptation to climate change for the first time for the year 2021, provided that the SNFI is published as of 1 January 2022. Consequently, comparative information on this matter has not been included in the accompanying SNFI. In addition, information has been included in respect of the criteria that the directors of Técnicas Reunidas have chosen to apply that, in their opinion, best allow compliance with the new obligation and that are defined in note "15.3.2.1. Information on EU Taxonomy eligibility for climate change mitigation and adaptation objectives" of the accompanying SNFI. Our conclusion has not been modified in relation to this matter.

Use and distribution

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

PricewaterhouseCoopers Auditores, S.L.

(Originally signed in Spanish)

Pablo Bascones Ilundáin

28 February 2022