



**ANNUAL CORPORATE GOVERNANCE REPORT  
FOR LISTED COMPANIES**

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**ISSUER'S PARTICULARS**

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Reporting date:

[ 31/12/2018 ]

TAX ID NO:

[ A-28092583 ]

Company name:

[ TÉCNICAS REUNIDAS, S.A.

Registered office:

[ ARAPILES, 13 MADRID

**A. OWNERSHIP STRUCTURE**

**A.1.** Complete the following table on the Company's share capital:

Date of last change	Share capital (€)	Number of shares	Number of voting rights
30/05/2006	5,589,600.00	55,896,000	55,896,000

Indicate whether there are different classes of shares carrying different rights:

Yes

No

**A.2.** List the direct and indirect holders of significant shares at year-end, excluding directors:

Name or company name of shareholder	% of voting rights attributed to shares		% of voting rights through financial instruments		% of total voting rights
	Direct	Indirect	Direct	Indirect	
ARIEL INVESTMENTS, LLC	0.00	3.01	0.00	0.00	3.01
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	0.00	3.00	0.00	0.00	3.00
ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	5.10	0.00	0.00	0.00	5.10
ARALTEC CORPORACIÓN, S.L.U.	31.99	0.00	0.00	0.00	31.99

Details of indirect share:

Name or company name of indirect shareholder	Name or company name of direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	% of total voting rights
ARIEL INVESTMENTS, LLC	ARIEL INVESTMENTS, LLC	3.01	0.00	3.01
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	3.00	0.00	3.00

Indicate the most significant changes in the shareholder structure during the year:

**A.3.** Complete the following tables on the Company's Board members holding voting rights through company shares:

Name or company name of director	% of voting rights attributed to shares		% of voting rights through financial instruments		% of total voting rights	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
FERNANDO DE ASÚA ÁLVAREZ	0.03	0.00	0.00	0.00	0.03	0.00	0.00
PEDRO LUIS URIARTE SANTAMARINA	0.01	0.01	0.00	0.00	0.02	0.00	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	0.11	37.09	0.00	0.00	37.20	0.00	0.00
% of total voting rights held by the Board of Directors						37.25	

Details of indirect share:

Name or company name of director	Name or company name of direct shareholder	% of voting rights attributed to shares	% of voting rights through financial instruments	% of total voting rights	% of voting rights that can be transferred through financial instruments
PEDRO LUIS URIARTE SANTAMARINA	CASTILLO DEL POMAR, S.L.	0.01	0.00	0.01	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	5.10	0.00	5.10	0.00
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC CORPORACIÓN, S.L.U.	31.99	0.00	31.99	0.00

**A.4.** Indicate, as appropriate, any relationships of a family, commercial, contractual or corporate nature existing between the holders of significant shares, insofar as they are known to the Company, unless they have scant relevance or arise from the ordinary course of business, except those reported in section A.6:

Name or company name of related party	Type of relationship	Brief description
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No data		
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- A.5.** Indicate, as appropriate, any relationships of a commercial, contractual or corporate nature existing between the holders of significant shares and the Company and/or the group, unless they have scant relevance or arise from the ordinary course of business:

Name or company name of related party	Type of relationship	Brief description
No data		

- A.6.** Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the board and directors, or their representatives in the case of legal entities.

Explain, as the case may be, how the significant shareholders are represented. Specifically, indicate those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders, or related to significant shareholders and/or companies in its group, specifying the nature of such relationships. In particular, mention the existence, identity and position of directors, or their representatives, as the case may be, of the listed company, who are, in turn, members of the Board of Directors or their representatives of companies that hold significant shares in the listed company or in group companies of these significant shareholders:

Name or company name of related director or representative	Name or company name of related significant shareholder	Company name of the group company of the significant shareholder	Description of relationship/position
JOSÉ MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	Mr Lladó Arburúa was appointed director of the Company at the proposal of the significant shareholder Aragonesas Promoción de Obras y Construcciones, S.L.U.
ÁLVARO GARCÍA- AGULLÓ LLADÓ	ARALTEC CORPORACIÓN, S.L.U.	ARALTEC CORPORACIÓN, S.L.U.	Mr García-Agulló was appointed director of the Company at the proposal of the significant shareholder Araltec, S.L. (the significant holder of this share is currently Araltec Corporación, S.L.U.).

- A.7.** Indicate whether the Company has been notified of any shareholders' agreements pursuant to s 530 and 531 of the Spanish Corporate Enterprises Act (section *Ley de Sociedades de Capital*). If so, provide a brief description and list the shareholders that are party to the agreement:

[ ] Yes

No

Indicate whether the Company is aware of any concerted actions among its shareholders. If so, provide a brief description:

Yes

No

Expressly indicate any amendment to or termination of such agreements or concerted actions during the year:

**A.8.** Indicate whether any individuals or legal entities currently exercise control or could exercise control over the Company in accordance with section 5 of the Spanish Securities' Market Act. If so, identify them:

Yes

No

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**A.9.** Complete the following tables on the Company's treasury shares.

At year-end:

Number of direct shares	Number of indirect shares (*)	% of total share capital
2,201,389		3.94

(\*) Through:

Name or company name of direct shareholder	Number of direct shares
No data	

Explain any significant changes during the year:

Explain any significant changes

There were no significant changes during the year.

In any case, the Company issued quarterly reports on the transactions carried out under the liquidity agreement with Santander Investment Bolsa, which entered into force on 11 July 2017, in accordance with Spanish National Securities Market Commission Circular 1/2017, of 26 April, on liquidity agreements, for the purpose of their classification as accepted market practices.

**A.10.** Give details of the conditions and term of the current resolution passed by shareholders authorising the Board of Directors to issue, buy back or transfer treasury shares:

At the Annual General Meeting held on 27 June 2018, the shareholders resolved to:

"(i) Authorise the Board of Directors to acquire treasury shares of the Company, either directly or through dependent companies, in accordance with the following limits and requirements:

- Methods of acquisition: acquisition by means of purchase or any other inter vivos transaction for consideration or any other transaction permitted by law.
- Maximum number of shares to be acquired: shares may be acquired at any time up to the maximum amount permitted by law.
- Minimum and maximum acquisition price: shares may not be acquired at a price greater than or less than 5% of the average weighted listed price of the day on which the shares are purchased (or at the minimum and maximum prices permitted by law at any given time).
- Maximum trading volume: the maximum daily trading volume for the acquisition of treasury shares may not exceed 15% of the average daily volume traded in orders on the regulated market or the Spanish multilateral trading facility in the previous thirty sessions.

- Duration of the authorisation: five (5) years from the date of this resolution.
  - These transactions will also comply with the corresponding rules contained in the Company's Internal Code of Conduct on Securities Markets.
- (ii) Revoke the unused part of the authorisation agreed on this matter at the General Meeting held on 29 June 2017.
- (iii) Authorised the Board of Directors to allocate all or part of the treasury shares acquired to remuneration programmes whose purpose or result is the award of shares or share options, in accordance with section 146.1.a) of the Spanish Corporate Enterprises Act".

**A.11. Estimated free float:**

	%
Estimated free float	52.97

**A.12.** Indicate whether there are any restrictions (section of associations, legislative or of any other nature) placed on the transfer of securities and/or any restrictions on voting rights. In particular, indicate whether there is any type of restriction that may imposed obstacles to the takeover of the Company by means of share purchases on the market, and those regimes for prior authorisation or notification that may be applicable, under sector regulations, to acquisitions or transfers of the Company's financial instruments.

- Yes  
 No

**A.13.** Indicate whether the shareholders at the General Meeting have resolved to take measures to neutralise a takeover bid pursuant to Law 6/2007.

- Yes  
 No

If so, explain the measures adopted and the situations in which the restrictions would be inoperative:

**A.14.** Indicate whether the Company has issued securities not traded in a regulated market of the European Union.

- Yes  
 No

If so, identify the various classes of shares and, for each class of shares, the rights and obligations they confer:

**B. GENERAL MEETING**

**B.1.** Indicate whether quorums for convening the General Meeting differ from the system of minimum quorums established in the Spanish Corporate Enterprises Act. If so, give details.

Yes

No

**B.2.** Indicate and, as applicable, describe any differences between the Company's system of adopting corporate resolutions and the framework established in the Spanish Corporate Enterprises ACT:

Yes

No

	Qualified majority other than that established in section 201.2 of the Spanish Corporate Enterprises ACT for general cases described in 194.1 of the Spanish Corporate Enterprises ACT	Other cases requiring a qualified majority
% set by company for adopting corporate resolutions	0.00	50.01

The last paragraph of section 20 of the Articles of Association stipulates that the shareholders at the General Meeting may only issue instructions to the Board of Directors or submit to its authorisation the adoption by such body of decisions on management matters by means of resolutions that comply with the information and majority requirements envisaged for statutory amendments to sections 194.1, 194.2 and 201.2 of the Spanish Corporate Enterprises Act.

**B.3.** Indicate the rules governing amendments to the Company's sections of association. In particular, indicate the majorities required to amend the sections of association and, if applicable, the rules for protecting shareholders' rights when amending the sections of association.

The rules applicable to amendments to the Articles of Association are established in the Spanish Corporate Enterprises Act. In this regard, shareholders holding at least 50% of the subscribed shares with voting rights must be present in person or by proxy to hold the meeting at first call, in which case the resolution may be passed by absolute majority. When shareholders attending the meeting on second call represent 25% or more of the subscribed share capital with voting rights, but less than 50%, the favourable vote of two-thirds of the share capital present in person or by proxy at the meeting will be required.

However, the Board has the power to change the registered office within Spanish territory in accordance with section 285 of the Spanish Corporate Enterprises ACT and section 3 of the Articles of Association.

Article 20.g) of the Articles of Association and section 5.g) of the Regulations of the General Meeting stipulate that the General Meeting has the power to amend the Articles of Association.

Shareholders' rights in relation to General Meetings are established in the Spanish Corporate Enterprises ACT, reflected in sections 14, 16 and 17 of the Articles of Association and detailed in the Regulations of the General Meeting in the following terms.

Right to information

Article 9 states that from the day on which the call notice for the General Meeting was published up until five days prior to the date set for the meeting, shareholders may request in writing any information or clarifications that they consider necessary regarding items on the agenda or submit any questions in writing that they consider relevant. Within the same period and in the same manner, shareholders may request any clarifications from the directors that they

consider necessary regarding the publicly available information submitted to the CNMV since the last General Meeting and regarding the auditor's report.

Requests for information may be submitted by delivering the request to the registered office or by sending it to the Company by post or by other electronic means. Electronic requests for information will be accepted provided they incorporate the sender's legally recognised electronic signature or any other mechanism considered to adequately guarantee the authenticity and identity of the shareholder.

The shareholder's request must include their name and surnames, with proof of the number of shares they hold, so that this information can be verified by the Company. It is the shareholder's responsibility to demonstrate that the request has been sent to the Company in due form and time. The Company's website will provide detailed explanations on how shareholders can exercise their right to information.

These requests for information will be answered prior to the meeting once the identity and status of the requesting shareholder have been verified.

Directors are obliged to provide the information in writing prior to the date set for the meeting, except in the following cases:

- (i) The requested information is not necessary to safeguard the shareholder's rights, or there are objective grounds for considering that it could be used for purposes unrelated to the Company, or its publication may harm the Company or related companies.
- (ii) The request for information or clarification is not related to the items included on the agenda or to publicly available information that was submitted by the Company to the CNMV since the last General Meeting.
- (iii) The information or clarification requested could be considered unfair.
- (iv) It has been determined as such by legal or regulatory provisions or court rulings.
- (v) When the information requested is clearly, expressly and directly available to all shareholders on the Company's website in a question and answer format.

The exception indicated in point (i) above will not apply when the request is supported by shareholders representing at least 25% of the share capital. The Board may authorise any of its members, the Chairman of its Committees or its Secretary to respond to requests for information.

Requested information will be sent through the same means as that used for the request, unless the shareholder indicates that one of the other designated meetings should be used. Valid requests for information, clarifications or queries made in writing and the replies sent in writing by the Board will be included on the Company's website.

#### Right of representation

Article 12 stipulates that all shareholders entitled to attend General Meetings may be represented by another person who need not be a shareholder. In addition, shareholders with less than 50 shares may join together for the purpose of exercising their right to attend and vote at the General Meeting, appointing one of them to be the representative. A specific proxy must be appointed for each General Meeting, either in writing or by means of remote communication, as expressly set out in the call notice, provided the corresponding requirements are met and the identity of both the principal and the proxy can be duly guaranteed.

#### Right to remote voting

Article 24 stipulates that shareholders with the right to attend, whether individually or jointly with other shareholders, have the right to vote remotely by post or other electronic means, and authorises the Board to implement the provisions set out in this section and to establish the appropriate rules and procedures in line with the available technology for voting remotely and appointing proxies by electronic means.

- B.4.** Indicate the data on attendance at the General Meetings held in the year to which this report refers and those of the two previous years:

Date of General Meeting	Attendance data				Total
	% attending in person	% attending by proxy	% by remote voting		
			Electronic voting	Others	
29/06/2016	0.14	61.48	0.00	0.00	61.62
Of which, free float	0.04	24.22	0.00	0.00	24.26
29/06/2017	0.14	61.14	0.00	0.00	61.28
Of which, free float	0.05	23.88	0.00	0.00	23.93
27/06/2018	0.17	61.18	0.00	0.00	61.35
Of which, free float	0.06	23.93	0.00	0.00	23.99

- B.5.** Indicate whether any item on the agenda of the General Meetings held during the year has not been approved by the shareholders for any reason:

Yes  
 No

- B.6.** Indicate whether the sections of association contain any restrictions with respect to a minimum number of shares required to attend General Meetings, or to vote remotely:

Yes  
 No

Number of shares required to attend General Meetings	50
Number of shares required to vote remotely	50

- B.7.** Indicate whether certain decisions, other than those established by law exist, that entail an acquisition, disposal or contribution to another company of essential assets or other similar corporate transactions must be subject to approval by the shareholders at the General Meeting:

Yes  
 No

- B.8.** Indicate the address and mode of accessing corporate governance content on your company's website as well as other information on General Meetings that must be made available to shareholders on the website:

The Company's website is [www.tecnicasreunidas.es](http://www.tecnicasreunidas.es).

Information on corporate governance can be accessed by clicking on the "Shareholders and investors/Corporate governance" tab and then clicking on

“Corporate governance”. This same section includes information on the General Meetings.

### C. COMPANY MANAGEMENT STRUCTURE

#### C.1. Board of directors

C.1.1 Maximum and minimum number of directors established in the sections of association and the number set by the General Meeting:

Maximum number of directors	15
Minimum number of directors	7
Number of directors set by the General Meeting	15

C.1.2 Complete the following table with Board members’ details:

Name or company name of director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA		Executive	CHAIRMAN	10/05/2006	29/06/2016	GENERAL MEETING RESOLUTION
JUAN LLADÓ ARBURÚA		Executive	FIRST DEPUTY CHAIRMAN	10/05/2006	29/06/2016	GENERAL MEETING RESOLUTION
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA		Other non-executive	SECOND DEPUTY CHAIRMAN	10/05/2006	27/06/2018	GENERAL MEETING RESOLUTION
FERNANDO DE ASÚA ÁLVAREZ		Other non-executive	THIRD DEPUTY CHAIRMAN	10/05/2006	27/06/2018	GENERAL MEETING RESOLUTION
JAVIER ALARCÓ CANOSA		Independent	DIRECTOR	26/06/2007	29/06/2017	GENERAL MEETING RESOLUTION
PETRA MATEOS-APARICIO MORALES		Independent	DIRECTOR	29/02/2016	29/06/2016	GENERAL MEETING RESOLUTION
JOSÉ MANUEL LLADÓ ARBURÚA		Proprietary	DIRECTOR	10/05/2006	29/06/2016	GENERAL MEETING RESOLUTION

Name or company name of director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Appointment procedure
FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE		Other non-executive	DIRECTOR	10/05/2006	27/06/2018	GENERAL MEETING RESOLUTION
PEDRO LUIS URIARTE SANTAMARINA		Independent	DIRECTOR	22/06/2011	29/06/2016	GENERAL MEETING RESOLUTION
WILLIAM BLAINE RICHARDSON		Other non-executive	DIRECTOR	22/06/2011	29/06/2016	GENERAL MEETING RESOLUTION
ADRIÁN RENÉ LAJOUS VARGAS		Independent	DIRECTOR	29/06/2016	29/06/2016	GENERAL MEETING RESOLUTION
ALFREDO BONET BAIGET		Independent	DIRECTOR	27/06/2018	27/06/2018	GENERAL MEETING RESOLUTION
JOSÉ NIETO DE LA CIERVA		Independent	DIRECTOR	27/06/2018	27/06/2018	GENERAL MEETING RESOLUTION
ÁLVARO GARCÍA-AGULLÓ LLADÓ		Proprietary	DIRECTOR	10/05/2006	29/06/2016	GENERAL MEETING RESOLUTION

Total number of directors	14
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Indicate if any directors, whether through resignation, dismissal or any other reason, have left the Board of Directors during this reporting period:

Name or company name of director	Category of director when standing down from office	Date of last appointment	Date of departure	Specialised committees of which they were a member	Indicate whether the director left before the end of the term
DIEGO DEL ALCÁZAR Y SILVELA	Independent	29/06/2016	16/07/2018	Appointments and Remuneration Committee	YES

**Reason for leaving and other remarks**

Diego del Alcázar y Silvela indicated that his resignation was for personal reasons of a professional nature that would not affect the Company, but that would not be compatible with his position at Técnicas Reunidas.

C.1.3 Complete the following tables on Board members and their respective categories.

EXECUTIVE DIRECTORS		
Name or company name of director	Position held in the Company	Profile
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Chairman	Doctor in Chemical Sciences and Industrial Chemistry, honorary member of the American Chemical Society. Dean of the General Council of the Spanish Chemists Association. Spanish ambassador to the United States (1978-1982). Minister of Trade and Minister of Transport and Communications (1976-1978). Founder of the Culture Support Foundation, founder and Vice-President of the Emeritus University Free College and Vice-President of the Businessmen's Association.
JUAN LLADÓ ARBURÚA	First Deputy Chairman	Degree in Economics from Georgetown University in Washington DC (MBA). Master's degree in Business Administration from the University of Texas at Austin. First Deputy Chairman of Técnicas Reunidas, S.A. since 1998. Treasurer of Argentina (1997-1998). Chairman of the Spain-China Foundation.

Total number of executive directors	2
% of the board	14.29

NON-EXECUTIVE PROPRIETARY DIRECTORS		
Name or company name of director	Name or company name of significant shareholder represented or proposing appointment	Profile
JOSÉ MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	BSBA from Georgetown University and MBA from the University of Chicago. In his professional career, he was Manager of the International Financing Division of Citibank N.A. (1986-1990). General Manager of Chase Manhattan Bank and responsible for Global Market Sales for Spain (1990-2001). At Banesto, he was Deputy Assistant General Director with responsibilities in the international and treasury areas (2001-2004). Founding Partner of Summa Financial Services (2004-present). Managing Director of Ideon Financial Services (2008-present). Directorships held in Aragonesas Promoción de Obras y Construcciones, S.L.; Layar Castilla, S.A. (Chairman); Summa Investment Solutions, S.A. (Chairman); Choice Financial Solutions, S.L. (director); Fintonic Servicios Financieros, S.L. (director); León Valores, S.A., SICAV (director); Araltec, S.L. (Deputy Chairman) and Aragonesas Promoción de Obras y Construcciones (director).
ÁLVARO GARCÍA-AGULLÓ LLADÓ	ARALTEC, S.L.	Doctor in civil engineering. Construction Manager of the Rota Airport (1955-56). Engineer-Delegate of HUARTE in Catalonia (1957-61) Director-General Manager of Técnicas Reunidas, S.A. (1962-96). Director of Técnicas Reunidas, S.A. (1997-present). Director of Técnicas Reunidas Internacional, S.A.

Total number of proprietary directors	2
% of the board	14.29

NON-EXECUTIVE INDEPENDENT DIRECTORS	
Name or company name of director	Profile
JAVIER ALARCÓ CANOSA	Degree in Economics and Business Sciences from the Complutense University in Madrid, and subsequent Master's degree in General Management from I.E.S.E. His professional career includes the following positions: Manager of capital markets and treasury at Banco de Negocios Argentaria in Madrid, General Manager and head of fixed income origination and execution and syndications at Banco de Negocios Argentaria, Deputy General Manager and head of capital markets at BBVA. He was recently appointed the Manager of Global Banking and Investments at BBVA in 2005 and Manager of Business and Real Estate Projects at BBVA in 2007.
PETRA MATEOS- APARICIO MORALES	Doctorate "cum laude" in Economics and Business Sciences from the Complutense University of Madrid and University Professor of Financial Economy. Deputy Chairman of the Spain-US Chamber of Commerce since July 2011. Executive Chairman of Hispasat (2004-2012), non-executive Chairman of Hidelsat (2005-2011), Director of Hispamar Satélites (Brazil), Director of Xtar Llc (US) from 2005 to 2012, and Board member of Solvay (2009-2013). She was a director at Iberia from 1983 to July 1985 and was Assistant General Manager of Banco Exterior de España from 1985 to 1987. She was also a director at Banco CEISS (2004-2018) of the Unicaja Group from 2014 up until its merger with Unicaja in September 2018. With extensive academic experience, from 1982 to 2015 she has been a University Professor of Financial Economy in the Corporate Economy and Accounting Department of the School of Economics and Business Sciences of UNED and University Professor of Financial Economy of the Complutense University College of Financial Studies (CUNEF). She has also been a member of the National Executive Committee of the Spanish Institute of Financial Analysts (IEAF) since 2011, and was a Board member of ANECA (2009-2015). She has also received various awards and distinctions, such as Knight of the National Order of the Legion of Honour of the Republic of France; Business Leader of the Year (2010) of the Spain-US Chamber of Commerce and Award from the Women Together Foundation (2009) of the United Nations Economic and Social Council (ECOSOC).
PEDRO LUIS URIARTE SANTAMARINA	Graduate in Economics and Law from Deusto University in Bilbao. He has 52 years of extensive experience in the industrial sector (9 years), the financial sector (23 years), where he became Deputy Chairman and CEO of the Board of Directors of BBV and BBVA, the consulting sector (14 years), R&D (2 years) and public administration (4 years), as Minister of Economy and Taxation in the first Basque Government from 1980 to 1984. He was also a professor at Deusto University for seven years, teaching subjects related to company transformation and advanced management, and subsequently collaborated with various business schools (Deusto Business School, IESE, ESADE, etc.) Since 2002, he has been the Executive Chairman of Economía, Empresa y Estrategia, S.A., a strategic consulting company that he created. Along with this position, he holds directorships in and provides advisory services for other companies, and takes part in other university and social activities.
ADRIÁN RENÉ LAJOUS VARGAS	Graduate in Economics from the Autonomous University of Mexico and Master's degree in Economics from the King's College of the University of Cambridge. He was a full-time professor and researcher at El Colegio de México (1971-76). He worked as the General Director of Energy and Secretary of Energy of Mexico from 1977 to 1982. In 1983 he joined Pemex and held a series of executive positions: Executive Coordinator of Foreign Trade, Corporate Director of Planning, Chief of Operations (COO) and General Manager of Refining. In 1994 he was appointed CEO of Pemex and the chairman of the boards of directors of Pemex's operating companies, positions from which he resigned in December 1999. Mr Lajous is currently a visiting researcher at the Centre on Global Energy Policy at Columbia University, chairman of Petrométrica, S.C., non-executive

NON-EXECUTIVE INDEPENDENT DIRECTORS	
Name or company name of director	Profile
	director of Ternium and Técnicas Reunidas, and of the Oxford Institute of Energy Studies and the Mario Molina Centre. He is also a Board member of the El Colegio de México Foundation. He has chaired the Oxford Institute of Energy Studies and has been a member of the boards of directors of Schlumberger, Repsol, Trinity Industries, Mexico's Federal Electricity Commission and other state-owned industrial and financial companies. He was an advisor at McKinsey & Co. and to the World Bank from 2001 to 2011.
ALFREDO BONET BAIGET	Degree in Economics and Business Studies from the Complutense University of Madrid, and State Commercial Technical Advisor and State Economist. Economic and Trade Advisor for Spain in Miami (1987-1991) and Milan (1993-1997). General Manager of Altair Consultores (1997-2001). General Manager of Promotion at the Spanish Institute of Foreign Trade (ICEX) (2001-2004). General Secretary for Foreign Trade and Board member of Instituto de Crédito Oficial (ICO) and Navantia (2004-2010). State Secretary for Foreign Trade and Chairman of ICEX and Invest in Spain (2010-2012). Chief Economic and Trade Advisor of the Delegation of Spain before the OECD (2012-2015). International Director of the Spanish Chamber of Commerce (2015-2018). General Secretary of the Businessmen's Association (2018-today).
JOSÉ NIETO DE LA CIERVA	Degree in Economics and Business Sciences from the Complutense University of Madrid. Among others, he held the following positions: - KPMG Spain –Consultancy Department (1988-1989). - JP Morgan (1989-2002): - Director of The Chase Manhattan Bank (1998-2002). - Managing Director of Corporate Banking at The Chase Manhattan Bank in Spain (1998-2002). - Banesto (2002-2010): - Deputy General Manager of Corporate Banking (2002). - General Manager of Wholesale Banking (2006). - Banca March Group (2010-2017): - Chairman of Banco Inversis. - CEO of Banca March. - Director and member of the Audit Committee of Corporación Financiera Alba, director and member of the Executive Committee of Ebro, director of Consulnor and director of Aegon España. He is also Deputy General Manager of Banco Sabadell (2018-present).

Total number of independent directors	6
% of the board	42.86

Indicate whether any independent directors receive from the Company or its group any amount or payment other than standard director remuneration or maintain or have maintained during the period in question a business relationship with the Company or any group company, either in their own name or as a significant shareholder, director or senior manager of a company that maintains or has maintained such a relationship.

If applicable, include a statement from the board detailing the reasons why the director in question may carry on their duties as an independent director.

Name or company name of director	Description of the relationship	Reasons
No data		

OTHER NON-EXECUTIVE DIRECTORS
Identify all other non-executive directors, explain why they cannot be considered proprietary or independent directors and detail their relationships with the Company, its executives or shareholders:

Name or company name of director	Reasons	Company, executive or shareholder to whom director is related	Profile
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	Mr Antoñanzas was elected to the position of independent director for a continuous period of more than 12 years.	TÉCNICAS REUNIDAS, S.A.	<p>Doctorate in Industrial Engineering. He worked at Barreiros-Chrysler for 10 years, holding the position of General Manager of Manufacturing and Assembly.</p> <p>He worked for five years at ITT as Operations Manager for Spain, CEO of Marconi Spain and Deputy Chairman of ITT Spain. Director of Planning and President of Instituto Nacional de Industria from 1973 to 1976. CEO of Seat from 1977 to 1984. Chairman of the Board of Uralita from 1998 to 2002.</p>
FERNANDO DE ASÚA ÁLVAREZ	Mr Asúa was elected to the position of independent director for a continuous period of more than 12 years.	TÉCNICAS REUNIDAS, S.A.	<p>Degree in Economics and Computer Science from the Complutense University of Madrid and degree in Business Administration and Mathematics at the University of California (US). His professional experience includes an extensive career at IBM and IBM Spain from 1959 to 1991, General Manager for the South America Area and later Europe, Chairman and CEO of IBM Spain and a director of IBM World Trade Corp. First Deputy Chairman of the Banco Santander Group from 2004 to February 2015.</p>
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE	Mr Gómez-Navarro was elected to the position of independent director for a continuous period of more than 12 years.	TÉCNICAS REUNIDAS, S.A.	<p>Degree in Industrial Engineering, specialising in chemistry, from the School of Industrial Engineering of Madrid, where he also studied economics. He has held several management or executive positions at Editorial Tania (1979-1983), Feria Internacional de Turismo (1980-1983), of which he is the founder, and Viajes Marsans (1983-1985), where he held the position of Chairman-General Manager. In the public sector, he was appointed Secretariat State - Chairman of the High Council of Sport (1987-1993) and subsequently Minister of Trade, Tourism and International Corporation (1993-1996) and the Governor of the development banks on behalf of Spain (Banco Iberoamericano, Banco Asiático y Banco Africano) from 1993 to 1996. He was subsequently appointed Chairman of the High Council of the Chambers of Commerce, Industry and Navigation of Spain (2005-2011) and Executive Chairman of Aldeasa (2005-2012). He is currently the head of MBD, a consultancy that engages in business consulting, mergers and acquisitions, and has been a director of Promotora de Informaciones, S.A. since November 2017. He has received numerous Spanish and international awards, including the Grandes Cruces de Carlos III, the Civil Merit Medal of Spain, the Sport Merit Metal, the Gold Medal of Tourism and other important Spanish and Latin American honours, including the highest Medal of the Order of Merit of France, the Olympic Gold Merit metal and the Condor of the Andes of Bolivia.</p>
WILLIAM BLAINE	Mr Richardson has a	TÉCNICAS REUNIDAS, S.A.	Degree in Political Science from Tufts University

**OTHER NON-EXECUTIVE DIRECTORS**

Identify all other non-executive directors, explain why they cannot be considered proprietary or independent directors and detail their relationships with the Company, its executives or shareholders:

Name or company name of director	Reasons	Company, executive or shareholder to whom director is related	Profile
RICHARDSON	contractual relationship with the Company.		(Medford/Somerville) in 1970. Master's degree in international affairs from Tufts University Fletcher School of Law and Diplomacy in 1971. Member of the House of Representatives for New Mexico (1983-1997). US Ambassador to the United Nations (1997-1998). State Secretary for Energy (1998-2001). Elected Governor of New Mexico in 2002 and re-elected in 2006. Chairman of the International Advisory Board of "Apco Worldwide". Member of the advisory board of several profit and non-profit entities.

Total number of other non-executive directors	4
% of the board	28.57

Indicate any changes in the category of each director during the year:

Name or company name of director	Date of change	Previous status	Current status
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	21/06/2018	Independent	Other non-executive
FERNANDO DE ASÚA ÁLVAREZ	21/06/2018	Independent	Other non-executive
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE	21/06/2018	Independent	Other non-executive

As indicated above, the change relates to the fact that they held the position of independent director for a continuous period of more than 12 years.

C.1.4 Complete the following table on the number of female directors at the end of the last four years and their category:

	Number of female directors				% of total directors of each category			
	2018	2017	2016	2015	2018	2017	2016	2015
Executive					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	1		16.67	12.50	12.50	0.00
Other non-executive directors					0.00	0.00	0.00	0.00

Total	1	1	1		7.14	7.69	7.69	0.00
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C.1.5 Indicate whether the Company has diversity policies in relation to its Board of Directors on such questions as age, gender, disability, or training and professional experience. Small and medium-sized enterprises, in accordance with the definition set out in the Spanish Audit Law, must at least report the policy they have implemented in relation to gender diversity.

- Yes  
 No  
 Partial policies

Should this be the case, describe these diversity policies, their objectives, the measures and way in which they have been applied and their results over the year. Also indicate the specific measures adopted by the Board of Directors and the appointments and remuneration committee to achieve a balanced and diverse presence of directors.

If the Company does not apply a diversity policy, explain the reasons why.

#### Description of policies, objectives, measures and how they have been applied, including the results achieved

The criteria that must be used as a basis for the application of a diversity policy are included in section 6.3 of the Board Regulations, indicating that the Board of Directors will ensure that the procedures for selecting its members favour diversity of gender, experience and knowledge, and are free from any underlying bias that may hinder the selection of female directors.

Likewise, in accordance with section 14.2 of the Board Regulations, the Appointments and Remuneration Committee is responsible for establishing a representation target for the less well-represented gender on the Board of Directors and drafting guidelines on how to reach this target.

In any case, and in view of the recent approval of Spanish Law 11/2018, of 28 December, amending the Spanish Commercial Code, the revised text of the Spanish Corporate Enterprises Act, approved by Legislative Royal Decree 1/2010, of 2 July, and Spanish Audit Law 22/2015, of 20 July, on non-financial information and diversity, the Company's Board of Directors, together with the Appointments and Remuneration Committee, is assessing the means to supplement the diversity criteria included in the aforementioned corporate regulations in relation to the new legal requirements in this regard. The Company is therefore assessing the possibility of having the Board of Directors approve a Diversity and Director Selection Policy.

C.1.6 Explain the measures taken, if applicable, by the Appointments Committee to ensure that the selection processes are not subject to implicit bias that would make it difficult to select female directors, and whether the Company makes a conscious effort to search for female candidates who have the required profile to guarantee an even balance between men and women:

#### Explanation of measures

In accordance with section C.1.5 above, in those cases where the Company has had the opportunity to begin a selection procedure as a result of a vacancy or other factors, this procedure has taken into account the aforementioned diversity criteria included in the corporate regulations and, in particular, this selection procedure has avoided any type of gender discrimination and, in this regard, has encouraged the possibility of female candidates.

When, despite the measures taken, there are few or no female directors, explain the reasons.

**Explanation of the reasons**

In accordance with the sections above, if there is a new vacancy on the Board, which occurred at the Annual General Meeting of 27 June 2018, the criteria for the selection procedures to cover this vacancy included compliance with the principle of diversity, without prejudice to the other requirements regarding competition, experience, availability, personal conditions of freedom of opinion and criteria, etc. in order to adequately discharge the duties that the Company's Board members must meet, also taking into account the needs and composition of the Board of Directors as a whole.

Notwithstanding the foregoing, the Company prioritises above all the suitability of the candidates to be appointed as directors and, therefore, following an adequate and complete assessment by the Appointments and Remuneration Committee and the Board of Directors, the new appointments proposed that were finally submitted at the Annual General Meeting on 27 June 2018 included candidates that were considered to be most suitable in accordance with the Company's needs at that time, regardless of gender.

- C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the director selection policy. In particular, explain how this policy pursues the goal of having at least 30% of total board places occupied by female directors before the year 2020.**

The Company's Appointments and Remuneration Committee considers that the director selection procedure facilitated the selection of female directors when there was a vacancy on the Board of Directors in 2016, and the criteria of expressly and deliberately seeking out ideal candidate profiles based on the characteristics of the vacancy to be covered and the composition of the Company's governing bodies were maintained with regard to the General Meeting of 2018, as they had already been applied in the past.

- C.1.8 Explain the reasons for the appointment of any proprietary directors at the request of shareholders controlling less than 3% of the share capital.**

Name or company name of shareholder	Reason
No data	

Provide details of any rejections of formal requests for board representation from shareholders whose share is equal to or greater than that of other shareholders who have successfully requested the appointment of proprietary directors. If applicable, explain why these requests were rejected:

- Yes  
 No

- C.1.9 Indicate whether any powers have been delegated by the Board of Directors, as the case may be, to directors or board committees:**

Name or company name of the director or committee	Brief description
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	In accordance with section 28 of the Articles of Association, the Chairman holds all the powers of the Board of Directors, except for those set out in section 25 of the Articles of Association with regard to the selection of the Chairman and the Deputy Chairmen or those

	that may not be delegated by law or in accordance with the Company's internal regulations. In accordance with section 28 of the Articles of Association, the powers held by the Chairman may be delegated to third parties. Likewise, the Chairman is considered the Company's chief executive and is conferred the powers necessary to exercise this authority.
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C.1.10 Identify, as appropriate, the Board members who hold office as directors, representatives of directors or executives at other companies forming part of the listed company's group:

Name or company name of director	Company name of the group company	Position	Do they have executive duties?
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Técnicas Reunidas Internacional, S.A.	Chairman	YES
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Técnicas Reunidas Proyectos Internacionales, S.A.U.	Director acting jointly	YES
JUAN LLADÓ ARBURÚA	Española de Investigación y Desarrollo, S.A.	Deputy Chairman	NO
JUAN LLADÓ ARBURÚA	Eurocontrol, S.A.	Director	NO
JUAN LLADÓ ARBURÚA	Técnicas Reunidas Internacional, S.A.	First Deputy Chairman	NO
JUAN LLADÓ ARBURÚA	Empresarios Agrupados Internacional, S.A.	Chairman	NO
JUAN LLADÓ ARBURÚA	Técnicas Reunidas Proyectos Internacionales, S.A.U.	Director acting jointly	YES
JUAN LLADÓ ARBURÚA	Initec Infraestructuras, S.A.U.	Director	NO
JUAN LLADÓ ARBURÚA	Initec Plantas Industriales, S.A.U.	Director	NO
JUAN LLADÓ ARBURÚA	Empresarios Agrupados, A.I.E.	Committee member	NO
JUAN LLADÓ ARBURÚA	Master S.A de Ingeniería y Arquitectura	Director	NO
PETRA MATEOS- APARICIO MORALES	GHESA Ingeniería y Tecnología, S.A.	Director	NO

C.1.11 Give details, as appropriate, of any directors or representatives of legal entities of the Company who are members of the boards of directors or representatives of legal entities of other non-group companies that are listed on official securities markets, as disclosed to the Company:

Name or company name of director	Company name of listed company	Position
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE	PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR

C.1.12 Indicate and, where appropriate, explain whether the Company has established rules about the maximum number of boards on which its directors may sit, identifying, if applicable, where this is regulated:

[ ] Yes

No

C.1.13 Indicate the amount of total remuneration received by the Board of Directors:

Remuneration earned during the year by the Board of Directors (thousands of euros)	4,982
Amount of the pension rights accumulated by current directors (thousands of euros)	
Amount of the pension rights accumulated by former directors (thousands of euros)	

C.1.14 Identify the senior executives who are not executive directors and indicate the total remuneration paid to them during the year:

Name or company name	Position(s)
FRANCISCO MARTÍNEZ-BORDIÚ DE CUBAS	Corporate Human Resources Manager
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	Chief Financial Officer
ANA SÁNCHEZ HERNÁNDEZ	Chief Procurements Officer
MIGUEL PARADINAS MÁRQUEZ	Deputy General Manager
LAURA BRAVO RAMASCO	Secretary to the Board of Directors
ENRIQUE RUBÉN ALSINA MASSANA	General Manager of Corporate Development
FELIPE REVENGA LÓPEZ	Chief Operating Officer
EMILIO GÓMEZ ACEVEDO	Chief Legal Officer
JOSÉ MARÍA GONZÁLEZ VELAYOS	Internal auditor
ARTHUR W. CROSSLEY SANZ	General Manager of Upstream and Gas
CÉSAR SUÁREZ LEOZ	Manager of the Power Business Division
Total remuneration of senior executives (thousands of euros)	
	4,257

The Company has granted loans for a total of amount of EUR 335 thousand to senior executives in 2018.

C.1.15 Indicate whether any changes have been made to the board regulations during the year:

Yes

No

C.1.16 Indicate the procedures for selecting, appointing, re-electing and removing directors. Give details of the competent bodies, the formalities to be fulfilled and the criteria to be used in each of the procedures.

Article 23 of the Articles of Association stipulates that the Board of Directors must be made up of a minimum of 7 and a maximum of 15 members, where the shareholders at the General Meeting are responsible for establishing this number.

With regard to the selection and appointment of directors, section 17 of the Board Regulations establishes that directors will be appointed by the shareholders at the General Meeting or by the Board in accordance with the Spanish Corporate Enterprises Act. In this regard, proposals for the appointment and re-election of directors submitted by the Board of Directors for consideration by the shareholders at the General Meeting and the appointment resolutions passed by this

body by virtue of its powers of co-option attributed thereto by law will be subject, in all cases, to the procedure and criteria for selecting directors established by the Board in its Regulations. All proposals must therefore be preceded by:

- a) The corresponding proposal from the Appointments and Remuneration Committee, in the case of independent directors; and
- b) The corresponding proposal from the Board of Directors, in the case of all other directors, which must also be preceded by a report from the Appointments and Remuneration Committee.

In all cases, the proposal must also be accompanied by an explanatory report from the Board, which assesses the competence, experience and merit of the proposed candidate and will be attached to the minutes of the General Meeting or the Board meeting.

In turn, section 18 of the Board Regulations stipulates, as regards the appointment of non-executive directors, that the Board of Directors must ensure that persons of acknowledged solvency, competence and experience are appointed, and its standards must be particularly stringent in respect of persons proposed as independent directors in accordance with section 6 of the Board Regulations.

With regard to the re-election of directors, in addition to the aforementioned requirements, section 19 of the Board Regulations stipulates that before proposing the re-election of directors to the shareholders at the General Meeting, the Board of Directors must evaluate, without involvement from the directors in question, the quality of work and dedication to office of the proposed directors during their previous term.

In accordance with section 20 ("Term of office"), directors will hold their position for a period of four years, without prejudice to the possibility that they may be removed before this time by the General Meeting. At the end of their term of office, they may be re-elected one or more times for equal terms.

The appointment of directors will lapse when, on expiry of the term, the next General Meeting has been held or the period established by law for holding the General Meeting at which the financial statements for the previous year are to be approved or otherwise, has ended.

Any vacancies that arise may be filled by the Board by co-option, in accordance with the law. If vacancies arise after the General Meeting has been called and before it is held, the Board will preserve its powers of co-option until the following General Meeting.

Directors appointed by co-option must have their positions rectified on the date of the first General Meeting immediately following their appointment.

Directors whose term of office has concluded or who, for any other reason, cease to discharge their duties may not serve as directors or hold management positions at any other entity with a similar corporate purpose to that of the Company for a period of two years. Should the Board consider it appropriate, it may release the outgoing director from this obligation or shorten their term.

With regard to the removal of directors, section 21 of the Board Regulations establishes the following:

"1. Directors will cease to hold office when the term for which they were appointed elapses, or when the shareholders at the General Meeting so decide, by virtue of the powers conferred upon them by law or in the Articles of Association. In the case of independent directors, this will occur when they have held their position for an uninterrupted period of 12 years, from the time that the Company's shares were admitted to listing on the Securities Market.

2. Directors must tender their resignation to the Board, should the latter consider it appropriate, in the following situations:

- a) When they cease to hold the executive position with which their appointment as Board members is associated.
- b) When they become subject to any incompatibility or prohibition provided for by law.
- c) When they have been seriously reprimanded by the Board for having breached any of their obligations as directors.
- d) When their remaining on the Board could put the Company's interests at risk or when the reasons for which they were appointed no longer exist (e.g. when a proprietary director disposes of their share in the Company).

3. Directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings. As soon as they are charged with or tried for any of the crimes indicated in section 213 of the Spanish Corporate Enterprises Act, the Board must examine the matter and, in view of the particular circumstances and the potential effect on the Company's standing and reputation, decide whether or not they should be called on to resign."

C.1.17 Explain, if applicable, to what extent the annual assessment of the board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

#### Description of changes

With regard to the assessment of the directors, section 5.6 of the Board Regulations stipulates that the Board of Directors must carry out an annual assessment of its operation (based on the report issued by the Appointments and Remuneration Committee) and that of its committees, as well as that of its Chairmen, and, based on the result, must propose an action plan to correct any deficiencies that have been found (the results of the assessment will be documented in the meeting minutes or added thereto as an appendix).

Although the assessment demonstrated that the Board's composition, internal organisation, operation and frequency of its meetings were satisfactory, the Company initiated various activities as a result of the annual assessment of the Board, most notably including a director training plan that continued throughout 2018.

Describe the assessment process and the areas evaluated by the Board of Directors with the assistance, if any, of an external consultant, with regard to the operation and composition of the board and its committees and any other area or aspect that has been evaluated.

#### Description of the assessment process and evaluated areas

The various committees were assessed based on the reports they submit to the Board of Directors, and in the case of the latter, on the report submitted to the Appointments and Remuneration Committee.

In addition, and as part of the process, all directors were sent an assessment questionnaire that, after having been filled out by each director, was analysed with the aim of obtaining a homogeneous outcome from Board members.

In the assessment process, the Board of Directors was assisted by KPMG, an external consultant that held interviews with Board members as part of the assessment process.

The areas assessed during the Board assessment process included the following:

- The efficiency of the operation and composition of the Board of Directors.
- The operation and composition of its committees.
- The performance of the Chairman of the Board and the performance and contribution of each director.

C.1.18 Explain, in those years in which an external consultant participated in the assessment, the business relationships that the consultant or any company in their group maintains with the Company or any group company.

Not applicable.

C.1.19 Indicate the cases in which directors must resign.

As indicated in section C.1.16 above, and as established in section 21.2 of the Board Regulations, directors must tender their resignation to the Board of

Directors and resign if the latter considers it appropriate, in the following cases:

- a) When they cease to hold the executive position with which their appointment as Board members is associated.
- b) When they become subject to any incompatibility or prohibition provided for by law.
- c) When they have been seriously reprimanded by the Board of Directors for having breached any of their obligations as directors.
- d) When their remaining on the Board could put the Company's interests at risk or when the reasons for which they were appointed no longer exist (e.g. when a proprietary director disposes of their share in the Company).

Directors must also immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings.

As soon as they are charged with or tried for any of the crimes indicated in section 213 of the Spanish Corporate Enterprises Act, the Board must examine the matter and, in view of the particular circumstances and the potential effect on the Company's standing and reputation, decide whether or not they should be called on to resign.

C.1.20 Are qualified majorities, other than those prescribed by law, required for any type of decisions?

- Yes
- No

If applicable, describe the differences.

C.1.21 Indicate whether there are any specific requirements, apart from those relating to the directors, to be appointed chairman of the board:

- Yes
- No

#### Description of requirements

Article 8.2 of the Company's Board Regulations stipulates that the Chairman of the Board must be an executive director, and must be appointed with the favourable vote of two-thirds of the Board members

C.1.22 Indicate whether the sections of association or the board regulations set any age limit for directors.

- Yes
- No

C.1.23 Indicate whether the sections of association or the board regulations set a limited term of office or other more stringent requirements in addition to those provided by law for independent directors:

- Yes
- No

C.1.24 Indicate whether the sections of association or board regulations stipulate specific rules on appointing a proxy to the board in favour of other directors, the procedures thereof and, in particular, the maximum number of proxy appointments a director may hold. Also indicate whether there are any restrictions as to what categories may be appointed as a proxy other than those stipulated by law. If applicable, briefly describe these rules.

Article 26 of the Articles of Association stipulates that any director may authorise, in writing, another director to be their proxy. Non-executive directors may only appoint another non-executive director as their proxy.

Likewise, section 16 of the Board Regulations stipulates that directors must do everything in their power to ensure or that they attend Board meetings and, when they are unable to attend in person, they must appoint another Board member as their proxy, in writing and specifically for each session, including the appropriate instructions and notifying the Chairman of the Board. However, non-executive directors may only appoint another non-executive director as their proxy.

C.1.25 Indicate the number of board meetings held during the year and how often the board met without the chairman's attendance. The calculation of attendance will include proxies granted with specific instructions.

Number of board meetings	11
Number of board meetings held without the chairman's attendance	0

Indicate the number of meetings held by the lead director with the other directors, without the attendance or representation of any executive director:

Number of meetings	0
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Indicate how many meetings of the various board committees were held during the year.

Number of Appointments and Remuneration Committee meetings	8
Number of Audit and Control Committee meetings	11

C.1.26 Indicate the number of board meetings held during the year and the attendance of its members:

Number of meetings with attendance in person of at least 80% of directors	11
Attendance in person as a % of the total votes cast during the year	100.00
Number of meetings with attendance in person, or by proxy with specific instructions, of all directors	11
Attendance in person and by proxy with	100.00

specific instructions as a % of the total votes cast during the year	
--	--

C.1.27 Indicate whether the separate and consolidated financial statements submitted for approval by the board are certified previously:

- Yes  
 No

Identify, where applicable, the person(s) who certified the Company's separate and consolidated financial statements prior to their authorisation for issue by the board.

Name	Position
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	Chief Financial Officer

C.1.28 Explain the mechanisms, if any, established by the Board of Directors to prevent qualified auditors' reports on the separate and consolidated financial statements prepared by it from being submitted at the General Meeting.

Article 39.3 of the Board Regulations provides that the Board will endeavour to prepare definitive financial statements that do not give rise to qualifications from the auditors. However, when the directors consider that they should stand by their opinion, they will publicly explain the content and scope of the discrepancies.

The Audit and Control Committee meets regularly, on a quarterly basis, to review the periodic financial information that must be sent to the authorities, as well as the financial information that the Board of Directors has to approve and include as part of its annual public documents.

Pursuant to section 13.2 of the Board Regulations, the Audit and Control Committee will have, among others, the following functions:

- Review the Company's financial statements, monitor compliance with legal requirements and the correct application of the accounting principles, with the direct collaboration of the external and internal auditors.
- Supervise the process of preparing and presenting the mandatory financial reports of the Company and, where appropriate, the Group, and submit recommendations for proposals to the managing body aimed at safeguarding their integrity, verifying compliance with regulatory requirements and the correct application of accounting principles; understand, monitor and verify the adequacy and integrity of the Company's internal control systems; and review the appointment or replacement of senior management.
- Monitor the effectiveness of the Company's internal control, internal audit and risk management systems, and discuss with the auditor any significant weaknesses in the internal control system identified during the performance of the audit, all without undermining their independence. For such purpose, and where applicable, recommendations or proposals and the corresponding period for follow-up may be submitted to the Board of Directors.
- Review the periodic financial reports that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that the interim financial statements are drawn up using the same accounting principles as the annual financial statements.

Lastly, these mechanisms most notably include the actions taken by the Company to promote and approve the implementation of an Internal Audit Plan for 2018, which focuses mainly on aspects specific to the auditing of subsidiaries and the review of information flow in financial reporting.

C.1.29 Is the secretary of the board also a director?

Yes

No

If the secretary is not a director, complete the following table:

Name or company name of the secretary	Representative
LAURA BRAVO RAMASCO	

C.1.30 Indicate whether there are any specific mechanisms established by the Company to preserve the independence of its external auditors, as well as any mechanisms to preserve the independence of the financial analysts, investment banks, and rating agencies, including how legal provisions have been implemented in practice.

Article 39 of the Board Regulations stipulates that the Audit and Control Committee must not propose to the Board of Directors and, in turn, the Board must not submit to the shareholders at the General Meeting, the appointment as the Company's auditor of any audit firm that falls within the scope of incompatibilities set out in current accounting legislation or any firms where the fees expected to be paid by the Company for all services are higher than five per cent of its total income for the previous year.

The Audit and Control Committee is therefore responsible for maintaining the relationships with the Company's external auditor, receiving information on any issues that may compromise their independence and any other matters related to the audit process of the financial statements, as well as any other communications envisaged in auditing legislation and in the technical auditing standards (section 29.e) of the Articles of Association and section 13.2 of the Board Regulations).

In addition, and for the purpose of safeguarding the auditor's independence, the Audit and Control Committee has agreed to limit the amount payable for services invoiced by the audit firm for non-audit work.

Accordingly, section 38 of the Board Regulations governs the Company's relationships with the markets in general. In this regard, the relationship that Técnicas Reunidas has with financial analysts and investment banks, among others, is based on the principles of transparency and non-discrimination. The Company coordinates its dealings with these entities, managing both their requests for information and those from institutional and individual investors.

With regard to rating agencies, the Company is not subject to credit ratings.

C.1.31 Indicate whether the Company changed its external auditors during the year. If so, specify the outgoing and incoming auditors.

Yes

No

In the event of any disagreement with the outgoing auditors, specify the substance thereof:

Yes

No

C.1.32 Indicate whether the audit firm performs other non-audit work for the Company and/or its group, and if so, state the amount of fees received for such work and the percentage they represent of the fees billed to the Company and/or its group:

Yes

No

	Company	Group companies	Total
Amount of other non-audit work (thousands of euros)	528	128	656
Amount of non-audit work / Amount of audit work (%)	31.73	7.69	39.42

C.1.33 Indicate whether the auditors' report for the previous year included any reservations or qualifications. If so, indicate the reasons given to the shareholders at the General Meeting by the chairman of the audit committee to explain the content and scope of those reservations or qualifications.

Yes

No

C.1.34 Indicate the number of consecutive years during which the current audit firm has been auditing the Company's separate and/or consolidated financial statements. Likewise, indicate how many years the current firm has been auditing the financial statements as a percentage of the total number of years over which the financial statements have been audited.

	Separate	Consolidated
Number of consecutive years	2	2

	Separate	Consolidated
Number of years audited by current audit firm/Number of years the Company or its group has been audited (as a %)	15.38	15.38

In 2017 and 2018 the Company had a joint system for auditing its financial statements developed by the auditing firms PricewaterhouseCoopers and Deloitte. PricewaterhouseCoopers audited the separate and consolidated financial statements of all financial years since the Company was listed on the Stock Exchange (in 2006), while Deloitte audited the separate and consolidated financial statements for 2017 and 2018.

C.1.35 Indicate whether there is a procedure for the directors to be able to receive the necessary information to prepare for meetings of the managing bodies sufficiently in advance, and if so, give details:

Yes

No

## Details of the procedure

In accordance with section 26.a) of the Board Regulations, directors are required to be informed and adequately prepared for the meetings of the Board and, where applicable, the delegated bodies of which they are members.

In this regard, the obligations of the Secretary to the Board include providing directors with the necessary advice and information, assisting the Chairman to ensure that the directors receive the relevant information to carry out their duties with sufficient advance notice and in the appropriate format, all in accordance with that envisaged in section 10 of the Board Regulations.

Article 23 ("Powers of information and inspection") of the Board Regulations establishes the following procedure in order for directors to exercise their right to information:

"1. The director may ask for information on any aspect of the Company and examine its books, registers, documents and other documentation. The right to information is extended to investees whenever possible.

2. The request for information must be sent to the Secretary to the Board of Directors, who will send it to the Chairman of the Board and the Company's appropriate mediator.

3. The Secretary will notify the director of the confidential nature of the information being requested and received, and their duty of confidentiality in accordance with these Board Regulations.

4. The Chairman may deny the request for information, if they consider: (i) that it is not necessary for the proper performance of the duties entrusted to the director, or (ii) that the cost is not reasonable in view of the importance of the issue and the Company's assets and income."

Article 24 of the Board Regulations, which governs the assistance of experts for non-executive directors, stipulates that a director may request information on any aspect of the Company and examine its books, registers, documents and other documentation. The engagement must necessarily be related to specific problems of certain importance and complexity that the directors are faced with in discharging their duties.

The decision to engage these services must be reported to the Chairman of the Company and may be vetoed by the Board of Directors, if it shows:

- a) It is not necessary for the proper performance of the duties entrusted to the non-executive directors.
- b) The cost is not reasonable in view of the importance of the issue and the Company's assets and income.
- c) The technical assistance sought can be adequately provided by the Company's own experts.

C.1.36 Indicate whether the Company has established rules obliging directors to report and, if applicable, resign, in situations which could harm the Company's good name and reputation and if so, give details:

- Yes
- No

## Explanation of the rules

Article 21.2.d) of the Company's Board Regulations stipulates that directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation (...) when their continued presence on the Board may jeopardise the Company's interests or when the reasons for which they were appointed cease to exist (e.g. when a proprietary director disposes of their share in the Company).

In addition, section 21.3 of the Board Regulations stipulates that directors must immediately inform the Board of any criminal charges brought against them

and the outcome of any subsequent legal proceedings. As soon as they are charged with or tried for any of the crimes indicated in section 213 of the Spanish Corporate Enterprises Act, the Board must examine the matter and, in view of the particular circumstances and the potential effect on the Company's standing and reputation, decide whether or not they should be called on to resign.

C.1.37 Indicate whether any Board member has notified the Company that they have been charged with or tried for any of the crimes indicated in section 213 of the Spanish Corporate Enterprises Act:

Yes

No

C.1.38 List the significant agreements entered into by the Company which come into force, are amended or terminate in the event of a change of control of the Company due to a takeover bid, and their effects.

The Company has not signed any agreements of this kind.

C.1.39 Identify individually for directors, and in aggregate terms in all other cases, and provide detailed information on agreements between the Company and its officers, executives and employees that provide termination benefits, or guarantee or golden parachute causes, in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other kinds of transactions.

Number of beneficiaries	3
Type of beneficiary	Description of the agreement
Executive directors and senior executives	1) Executive directors. The employment contract of each of the executive directors includes economic compensation in the event that their termination by the Company is not a result of failure to comply with their obligations. This compensation is equal to twenty-four months of the fixed remuneration received at the time the employment relationship was terminated, as compensation for the non-competition clause envisaged in this contract for a period of two years. 2) Senior executives. There is a contract with one executive who, in the event of unfair dismissal, is 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 aggregate amount of these three termination benefit payments would be EUR 5,957 thousand.

Indicate whether, beyond the cases envisaged in regulations, these contracts have to be disclosed to and/or approved by the bodies of the Company or of its group: If they do, specify the procedures, events and nature of the bodies responsible for their approval or disclosure.

	Board of directors	General meeting
Body authorising the clauses	√	
	Yes	No

Is the General Meeting informed of the clauses?	√	
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## C.2. Committees of the Board of Directors

C.2.1 Give details of all the board committees, their members and the proportion of executive, proprietary, independent and other non-executive directors.

Appointments and Remuneration Committee		
Name	Position	Category
ALFREDO BONET BAIGET	CHAIRMAN	Independent
JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Proprietary
JAVIER ALARCÓ CANOSA	MEMBER	Independent
FERNANDO DE ASÚA ÁLVAREZ	MEMBER	Other non-executive

% of executive directors	0.00
% of proprietary directors	25.00
% of independent directors	50.00
% of other non-executive directors	25.00

Explain the duties attributed to this committee and any additional responsibilities provided for by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the sections of association or other corporate resolutions.

The Committee's main duties, as well as the procedures and rules for its organisation and operation, are set out in section 30 of the Articles of Association and implemented in section 14 of the Board Regulations.

The Chairman of the Committee will be appointed by the Board from among its members for a period of four years and may be re-elected for one or more subsequent terms of equal length. The Chairman must be an independent director.

Without prejudice to any other duties that are required by law or that may be assigned at any time by the Board, the Committee's functions will include at least the following:

- Evaluate the balance of skills, knowledge and experience required on the Board. To this end, the Committee will define the necessary duties and skills of the candidates to fill each vacancy, and determine the time and dedication necessary for them to effectively perform their duties.
- Establish a representation target for the less well-represented gender on the Board of Directors and draft guidelines on how to reach this target.
- Submit proposals to the Board on the appointment of independent directors for their appointment by means of co-option or to be submitted at the General Meeting, as well as proposals for re-election or removal these directors by the shareholders at the General Meeting.
- Report on the proposals for appointment of the other directors to be appointed through co-option or to be submitted for approval at the General Meeting, as well as proposals for re-election or removal by the shareholders at the General Meeting.
- Report on proposals for the appointment of individuals representing a director that is a legal entity.

- f) Report on the appointment of the Chairman and the Deputy Chairman or Chairmen of the Board.
- g) Report on the appointment of the Chief Executive Officer.
- h) Report on the appointment of the Secretary and the Deputy Secretary to the Board.
- i) Propose those members that should form part of each of the Committees, taking into account the knowledge, skills and experience of the directors and the tasks of each Commission.
- j) Report on the proposals for appointment and removal of senior executives and the basic terms and conditions of their contracts.
- k) Examine and organise the succession of the Chairman of the Board and the Company's chief executive and, if appropriate, make proposals to the Board in order for such succession to occur in an orderly and planned manner.
- l) Propose to the Board the remuneration policy for directors and general managers or whoever carries out senior executive functions and reports directly to the Board, the Executive Committee or the Chief Executive Officer(s), where applicable, as well as the individual remuneration and other contractual conditions of the executive directors, and ensure the observance thereof.

The Committee will generally meet once each year for the purpose of preparing the information on directors' remuneration that must be approved by the Board and included in its annual public documents.

The Committee will also meet whenever the Board or its Chairman requests the issuance of reports or adoption of proposals within the scope of its duties and, in any case, whenever it is considered necessary for the proper performance of its functions.

Requests for information from the Appointments and Remuneration Committee will be drawn up by the Board or by the Chairman of the Board. The Committee must also consider any suggestions made by the Chairman, Board members, executives or shareholders of the Company.

The Committee's most significant activities carried out in 2018 were as follows:

- Submit the Group's Equality Plan and the actions taken in this regard.
- Propose to the Board the appointment of José Nieto de la Cierva and Alfredo Bonet Baiget, as independent directors, and issue the related report in relation to the proposals for re-election of Fernando de Asúa Álvarez, Juan Miguel Antoñanzas Pérez-Egea and Francisco Javier Gómez-Navarro Navarrete, all of which are other non-executive directors, in compliance with the guidelines with regard to promoting diversity, internationalisation and selecting profiles that have the skills and professional experience necessary to discharge the duties.
- Assess the composition of the delegate committees of the Board of Directors and propose the appointment of its members taking into account their knowledge, skills and experience, as well as the tasks of each committee. Therefore, Petra Mateos-Aparicio Morales was appointed Chairman of the Audit and Control Committee and Alfredo Bonet Baiget was appointed Chairman of the Appointments and Remuneration Committee, and José Manuel Lladó Arburúa and José Nieto de la Cierva were appointed members of the Committee and the Audit and Control Committee, respectively.
- Propose to the Board the appointment of the lead director.
- Report to the Board on the distribution of total directors' remuneration approved at the General Meeting, in order for the Board to establish the specific amount corresponding to each of its members, taking into account the duties and responsibilities attributed to each director, their membership on Board committees and other objectives circumstances that the Board considers relevant.
- Lead the assessment of the Board for 2018 that was carried out by the external advisor KPMG.
- Carry out the sectoral benchmarking of remuneration for companies included on the IBEX 35 and other comparable companies at a national and international level.
- Plan the preparation of the Directors Remuneration Policy 2019-2021, which will be submitted for approval at the Annual General Meeting in 2019.

**Audit and Control Committee**

Name	Position	Category
PETRA MATEOS-APARICIO MORALES	CHAIRMAN	Independent
PEDRO LUIS URIARTE SANTAMARINA	MEMBER	Independent

Audit and Control Committee		
Name	Position	Category
ÁLVARO GARCÍA-AGULLÓ LLADÓ	MEMBER	Proprietary
JOSÉ NIETO DE LA CIERVA	MEMBER	Independent
JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Proprietary

% of executive directors	0.00
% of proprietary directors	40.00
% of independent directors	60.00
% of other non-executive directors	0.00

Explain the duties attributed to this committee and any additional responsibilities provided for by law, and describe the rules and procedures it follows for its organisation and operation. For each one of these functions, briefly describe its most important actions during the year and how it has exercised in practice each of the functions attributed thereto by law, in the sections of association or other corporate resolutions.

The Committee's main functions, procedures and rules of organisation and operation are set out in section 13 of the Board Regulations and in section 29 of the Articles of Association as follows:

The Chairman of the Committee is elected by the Board from among the independent directors for a term that will not exceed four years, whereby they must be replaced at the end of this term, and may only be re-elected once a period of one year has elapsed from the end of their tenure.

Without prejudice to any other duties attributed by law or that may be assigned at any time by the Board, the Committee will carry out the following functions:

- Report to the General Meeting on any matters raised by the shareholders regarding its competence and, in particular, on the results of the audit, explaining how it contributed to the integrity of the financial information and the function discharged by the Committee in this process.
- Propose to the Board the selection, appointment, re-election and replacement of the auditor, as well as the terms of its engagement, and regularly gather information from the auditor regarding the audit plan and its implementation, in addition to preserving its independence in the performance of its duties.
- Review the Company's financial statements, monitor compliance with legal requirements and the correct application of the accounting principles, with the direct collaboration of the external and internal auditors.
- Supervise the process of preparing and presenting the mandatory financial reports of the Company and, where appropriate, the Group, and submit recommendations for proposals to the Board aimed at safeguarding their integrity, verifying compliance with regulatory requirements and the correct application of accounting principles; understand, monitor and verify the adequacy and integrity of the Company's internal control systems; and review the appointment or replacement of senior management. Monitor the effectiveness of the Company's internal control, internal audit and risk management systems, and discuss with the auditor any significant weaknesses in the internal control system identified during the performance of the audit, all without undermining their independence. For such purpose, and where applicable, recommendations or proposals and the corresponding period for follow-up may be submitted to the Board.
- Establish the appropriate relationships with the external auditor to receive information on any matters that may jeopardise its independence and that will be studied by the Committee, and any other matters related to the audit process and, where appropriate, the authorisation of services other than those prohibited, as well as those communications envisaged in audit legislation and other audit regulations.

In any case, written confirmation must be received, on an annual basis, from the external auditor of its independence in relation to the Company or entities directly or indirectly related thereto, as well as detailed and individualised information on any type of additional services provided by the external auditor or by persons or entities related thereto and the fees received from such entities, pursuant to the regulations governing audit activity.

- Supervise the fulfilment of the audit contract, ensuring that the opinion on the financial statements and the main content of the auditor's report are drafted in a clear and concise manner, and assess the results of each audit, receiving information on a regular basis from the external auditor on the audit plan and the results of carrying out such plan, while also verifying that senior executives take into account the recommendations.

The Committee will also ensure adherence to the current regulations on the provision of non-audit services, the limits on the concentration of the auditors' business and, in general, other requirements designed to safeguard auditors' independence.

- Review the periodic financial reports that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that the interim financial statements are drawn up using the same accounting principles as the annual financial statements.
- Issue an annual report, prior to the issuance of the auditor's report, expressing an opinion on whether the independence of the auditors or audit companies has been compromised. Such report must, in all cases, contain the reasoned assessment of any additional services provided, considered individually and as a whole, other than legal audit services in relation to the rules on independence or in accordance with the regulations governing audit activities.
- Examine compliance with the Internal Code of Conduct, the Board Regulations and, in general, the Company's rules of governance, and make the necessary

proposals for their improvement.

- Be aware of the tax policies applied by the Company. In this regard, receive information from the person in charge of tax matters on the tax policies applied, at least prior to the preparation of the financial statements and the filing of the corporate income tax returns, and, when relevant, on the tax-related consequences of the corporate transactions that have been submitted for approval by the Board.
- The function for controlling and monitoring compliance with the risk control and management policy, either directly or through the subcommittees created for this purpose.

(Continued in section H).

Identify the directors who are members of the audit committee that have been appointed on the basis of their knowledge of and experience in accounting or auditing, or both, and indicate the date on which the chairman of this committee was appointed.

Name of experienced directors	PETRA MATEOS-APARICIO MORALES / PEDRO LUIS URIARTE SANTAMARINA / ÁLVARO GARCÍA-AGULLÓ LLADÓ / JOSÉ NIETO DE LA CIERVA / JOSÉ MANUEL LLADÓ ARBURÚA
Date of appointment as chairman	31/07/2018

C.2.2 Complete the following table with information on the number of female directors on the various board committees over the past four years.

	Number of female directors							
	2018		2017		2016		2015	
	Number	%	Number	%	Number	%	Number	%
Appointments and Remuneration Committee	0	0.00	1	20.00	0	0.00	0	0.00
Audit and Control Committee	1	20.00	0	0.00	0	0.00	0	0.00

C.2.3 Indicate, as appropriate, whether there are any regulations governing the board committees. If so, indicate where they can be consulted, and whether any amendments have been made during the year. Also, indicate whether any annual report on the activities of each committee has been prepared voluntarily.

The rules governing the organisation and functioning of the Audit and Control Committee and the Appointments and Remuneration Committee are included in the Articles of Association and in the Board Regulations, which are published on the Company's website ([www.tecnicasreunidas.es](http://www.tecnicasreunidas.es)), and can be accessed in the "Shareholders and investors/Corporate governance" tab through the "Corporate Governance" section. In 2018 the Company did not make any amendments to the Board Regulations. Accordingly, the amendments to the Company's Articles of Association agreed by the shareholders at the Annual General Meeting on 27 June 2018 did not relate to the Board committees, since the amendment to section 23 increased the maximum number of directors of the Company to fifteen.

The Audit and Control Committee and the Appointments and Remuneration Committee prepare reports on their activities and functioning during the year that are made available to shareholders at the Annual General Meeting.



## ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED COMPANIES



**D. RELATED PARTY AND INTRA-GROUP TRANSACTIONS**

**D.1.** Explain, if applicable, the procedures and competent bodies for approving related party or intra-group transactions.

Article 5 of the Company's Board Regulations states that:

"Except in matters that are exclusively the competence of the General Meeting, the Board of Directors is the Company's highest decision-making body and will assume the powers legally reserved for its direct attention, as well as any others necessary for its responsible exercise of general oversight, including, but not limited to, the functions attributed thereto by the Spanish Corporate Enterprises Act and, in particular, the following non-delegable functions:

(...)

(xii) the approval, following a report from the Audit Committee, of transactions that the Company or its Group companies carry out with directors or shareholders that, individually or acting in concert with others, hold a significant share, including shareholders represented on the Board of Directors of the Company or of other companies that form part of the same group, or with persons related thereto ("Related party transactions").

The directors affected by the transactions, or who represent or are related to shareholders affected, must abstain from participating in deliberations and voting on the resolution in question.

However, authorisation from the Board of Directors will not be required for related party transactions that simultaneously meet the following three conditions:

1. They are governed by standard form agreements applied on an across-the-board basis to a large number of clients.
2. They are performed at market prices or rates, generally set by the person supplying the goods or services.
3. The amount does not exceed one per cent (1%) of the Company's annual income.

The approval of related party transactions will require a prior favourable report from the Audit and Control Committee. Directors who are affected by the transactions, in addition to not exercising or delegating their right to vote, must leave the meeting room while the Board of Directors deliberates and votes on the matter".

Furthermore, section 13.2 of the Board Regulations stipulates that without prejudice to any other duties that may be assigned at any given time by the Board of Directors, the Audit and Control Committee is responsible for reporting to the Board, prior to adopting the corresponding decisions, on the related party transactions.

In addition, section 35 ("Transactions with significant shareholders") of the Board Regulations stipulates that any transaction carried out by the Company with directors and significant shareholders will be subject to authorisation by the Board of Directors, following a report from the Audit and Control Committee. The Board of Directors, prior to authorising the execution of these types of transactions by the Company, will also assess the transaction from the perspective of equal treatment of shareholders and market conditions.

In addition, the Company has an external report from a top-tier third party (Gómez Acebo & Pombo) in relation to the Company's related party transactions for 2018.

**D.2.** List any relevant transactions, by virtue of their amount or importance, between the Company or its group of companies and the Company's significant shareholders.

Name or company name of significant shareholder	Name or company name of company or group company	Nature of the relationship	Type of transaction	Amount (thousands of euros)
No data				N.A.

- D.3.** List any relevant transactions, by virtue of their amount or importance, between the Company or its group of companies and the Company's managers or directors.

Name or company name of director or executive	Name or company name of related party	Relationship	Type of transaction	Amount (thousands of euros)
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	Mr. Nieto de la Cierva is the General Manager of Banco de Sabadell, S.A.	Financing agreements: loans	5,000
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	Mr. Nieto de la Cierva is the General Manager of Banco de Sabadell, S.A.	Guarantees and collateral	75,807
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	Mr. Nieto de la Cierva is the General Manager of Banco de Sabadell, S.A.	Other	37,910
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	Mr. Nieto de la Cierva is the General Manager of Banco de Sabadell, S.A.	Interest paid	12
JOSÉ NIETO DE LA CIERVA	Banco de Sabadell, S.A.	Mr. Nieto de la Cierva is the General Manager of Banco de Sabadell, S.A.	Interest charged	228

**Explain any significant changes**

As of 31/12/2018, the Company had carried out the following transactions with Banco de Sabadell, S.A.:

- Undrawn credit facility: EUR 5,000 thousand.
- Guarantee line: EUR 60,000 thousand (of which EUR 46,960 thousand were drawn down).
- Exchange rate insurance: USD 20,000 thousand (equal to EUR 15,807 thousand, the nominal amount according to the exchange rate contracted in the insurance).
- Cash and other cash equivalents: EUR 37,910 thousand.

- D.4.** List any relevant transactions undertaken by the Company with other companies in its group that are not eliminated in the process of drawing up the consolidated financial statements and whose subject matter and terms set them apart from the Company's ordinary trading activities.

In any case, list any intra-group transactions carried out with entities in countries or territories considered to be tax havens:

Company name of the group company	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

- D.5.** Describe the significant transactions carried out between the Company or group companies and other related parties that have not been reported in the previous sections:

Company name of the related party	Brief description of the transaction	Amount (thousands of euros)
No data		N.A.

- D.6.** List the mechanisms in place for detecting, identifying and resolving any potential conflicts of interest between the Company and/or its group and its directors, executives or significant shareholders.

The Board Regulations and the Internal Code of Conduct govern the mechanisms established for detecting and regulating potential conflicts of interest.

In relation to directors, the mechanisms established to detect potential conflicts of interest are regulated in the Board Regulations. Article 29 of the Board Regulations stipulates that directors must report any conflicts of interest to the Board and refrain from attending or participating in any deliberations on matters in which they have a personal interest. Directors are also considered to have a personal interest when the matter affects any of the following persons:

- A spouse or spousal equivalent.
- The ascendants, descendants and siblings of a director or the spouse of a director.
- The spouses of the ascendants, descendants and siblings of a director.
- Companies in which a director is, themselves or through an interposed person, in any of the positions provided for in section 42.1 of the Spanish Commercial Code.

Where a director is a legal person, the following will be considered to be related persons:

- The members if they are, in relation to the director, in any of the positions provided for in section 42.1 of the Spanish Commercial Code.
- De facto or de jure directors, liquidators and authorised representatives holding general powers of attorney from the director.
- Companies forming part of the same group and their members.
- Persons who, with respect to the representative of the director, are considered to be persons related to director in conformity with the preceding paragraph.

The Board Regulations also establish other obligations relating to the directors' duty to avoid situations of conflicts of interest and, in particular, the following:

- Article 28 ("Obligation of non-competition") stipulates that directors may not hold the position of administrator or manager at companies that engage in identical, similar or complementary activities as those of the Company or engage in activities as independent professionals or employees that constitute effective current or potential competition with the Company or that in any other way represent a permanent conflict of interests with the Company, unless expressly authorised by the Company through a resolution approved by the shareholders at the General Meeting, under the terms established by law and excluding the positions they may hold, where applicable, in Group companies. Notwithstanding the foregoing, the director may provide their professional services to entities whose corporate purpose is similar, in full or in part, to that of the Company, as long as they first inform the Board of Directors of their purpose, which may reasonably deny authorisation to carry out this activity.
- Article 30 ("Use of company assets") of the Board Regulations stipulates that directors may not use the Company's assets, including its confidential information, or take advantage of their position at the Company to obtain an economic gain, unless they have obtained the corresponding waiver or authorisation from the Company in accordance with the terms established by law.
- Article 32 ("Business opportunities") indicates that directors may not take advantage of a business opportunity at the Company for personal benefit or to the benefit of a person related thereto under the terms established in section 29 of the Board Regulations, unless they have obtained the corresponding waiver or authorisation from the Company in accordance with the terms established by law. For these purposes, a business opportunity is understood as any possibility for an investment or transaction of a commercial nature arising in connection with the exercise of the office by the director or using the Company's information, or in circumstances in which it is reasonable to think that the third party's offer was addressed to the Company.
- Article 33 ("Indirect transactions") of the Board Regulations stipulates that directors will be considered in breach of their duties of loyalty to the Company if, knowing in advance, they allow or do not to disclose the existence of transactions carried out by the aforementioned persons that are indicated in section 29.1 of the Board Regulations, and that have not been subject to the conditions and controls envisaged in the previous sections.

In certain cases, the Company may authorise a director to carry out a transaction with the Company, provided this authorisation is agreed at the General Meeting or by the Board, in accordance with section 230 of the Spanish Corporate Enterprises ACT.

In addition, directors must also inform the Company of any positions they hold on the boards of other listed companies and, in general, of any facts,

circumstances or situations that may be relevant in relation to their activities as administrator of the Company.

With regard to senior executives, the mechanisms established for detecting and regulating potential conflicts of interest are governed by the Internal Code of Conduct, which is also applicable to directors. Article 11 of the Internal Code Conduct stipulates that persons subject to its provisions must act at all times with freedom of opinion and loyalty to the Company and its shareholders, regardless of their own or third-party interests. Consequently, they must refrain from prioritising their own interests at the expense of those of the Company or those of investors at the expense of others, and they must refrain from becoming involved or influencing decisions that may affect those persons or entities with which they have a conflict of interest and from accessing confidential information that affects this conflict of interest.

(Continued in section H.1).

**D.7.** Is more than one group company listed in Spain?

Yes

No

## **E. RISK CONTROL AND MANAGEMENT SYSTEMS**

### **E.1. Describe the Risk Control and Management System in place at the Company, including tax-related risks.**

At the request of the Audit and Control Committee, the Group has created a catalogue of key risks, described in section E.3 and drawn up in accordance with the COSO II methodology.

Técnicas Reunidas ("TR") has implemented risk management policies that include the adoption of, among others, the following measures:

– Risks related to changes in project costs.

Several factors may give rise to a change in the estimated costs in turnkey projects (the total price is closed at the commencement of the project while execution costs may change), such as the volatility of raw material prices, changes in project scope, performance by construction and assembly subcontractors on time and with required quality, litigation by customers or suppliers or weather conditions, among others.

The assessment of all these factors implies a high level of judgement and estimates. Control and management mechanisms:

- Development of new contracting methods to mitigate risks.
- Inclusion of indemnity clauses in contracts with suppliers and subcontractors.
- Intensive acquisition, during the first months of implementation, of equipment that is both critical and very sensitive to the price of certain raw materials.
- Use of derivatives that allow certain essential raw materials and equipment to be purchased in instalments.
- Distribution of the execution of work among several subcontractors and inclusion of subcontractors as project partners.
- Increased supervision of construction and assembly subcontractors.
- Inclusion of contingencies for deviations in the budgets.
- Relying on opinions of external advisors in the preparation of estimates and judgements.

– Risks related to fluctuations 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 customers, suppliers, competitors and partners.

Recent drops in oil prices have pushed customers to provide worse payment conditions and be more demanding in negotiating changes of scope and claims.

The group's commercial activity is conditioned by the investment efforts of our customers.

Control and management systems:

- Predominance 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 those of a geopolitical and social nature).
- Diversification of products and geographical areas.
- Mitigation of risks with customers and suppliers through the early detection of those matters that may represent a change in the contractual price.

– Risks related to carrying out projects in multiple geographical areas.

TR's projects are carried out in multiple geographical areas, each of which have a different risk profile to mitigate: political and social tensions, limited access locations, limited legal security, domestic content requirements, etc.

Performance of projects for the first time in a certain geographical area increases the risk of deviations in margins.

Control and management systems:

- Selection of projects based on a detailed analysis of the customer, our prior experience in each geographical area and other matters such as the specific margins of the project and the risks involved.
- Use of modular construction methods in locations with a labour shortage 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, TR includes clauses that allow prices to be changed in the event of amendments to laws.
- Flexibility to adapt to domestic content requirements.

– Risks related to the concentration of projects among a small number of customers.

At certain times the portfolio may feature a high concentration in a low number of customers and suppliers in certain countries.

Control and management systems:

- 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 actions with new customers in markets in which TR does not yet have a presence.
- Atomisation and diversification strategies for local and international construction suppliers.

– Risks related to environmental and safety requirements.

TR carries out projects where incorrect performance entails high risks of impact on the environment or health and safety risks. The Group works to control and minimise those risks by collaborating with its customers, subcontractors and suppliers in this area.

Control and management systems:

- TR has an Environmental Management and Safety System.
- 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.

Continued in section H.1

**E.2. Identify the corporate bodies responsible for developing and implementing the Risk Control and Management System, including tax-related risks.**

Article 5 of the Board Regulations establishes that the responsibilities of the Board of Directors include approving the risk control and management policy, including tax risks, as well as regularly monitoring the internal information and control systems.

In accordance with section 13 of the Board Regulations, the Audit and Control Committee oversees the effectiveness of the internal control systems and the financial risk management systems. In addition, the Committee will supervise the process of preparing and presenting the financial information, as well as its integrity, by reviewing the Group's internal control systems and verifying their adequacy and integrity. The Company may be assisted by internal and external auditors in the performance of its functions.

**E.3. List the main risks, including tax risks and, to the extent that they are significant, those arising from corruption (understood within the scope of Royal Decree Law 18/2017), that may impact the achievement of the business objectives.**

The main risks are as follows:

- Changes in project costs.
- Changes in the price of crude oil.
- Execution of projects in multiple geographical areas.

- Concentration in a low number of customers.
- Environmental and safety requirements.
- Economic variables.
- Information technology.

**E.4. Identify whether the entity has risk tolerance levels, including tax risks.**

For each contract in the bidding or implementation phase, risk assessments measures are systematically applied within the framework of the internal risk control and management procedures:

- a) Project analysis and bidding phase: (i) the procedure begins with a risk identification process, in which the budget department and the technical office identify and assess the technical risks involved in the engineering, procurement and construction activities; the contracts department reviews the draft customer contracts and draws up a report on any problematic issues or omissions; the corporate development team then takes an initial decision regarding any appropriate modifications to the proposal; (ii) next is the process for evaluating and, where appropriate, approving any contingencies, during which the corporate development team reviews the technical proposal and the report on the contracts, adjusts the risks and contingencies from the perspective of commercial risks and draws up a draft proposal; the executive committee then reviews the draft proposal and, where appropriate, validates it and sets the final price; (iii) the next step is the process of negotiating the final contract, during which the customer is sent the proposal and comments on the draft contracts, new versions of the contracts are reviewed and discussed with the customer and, finally, the final versions of the contracts are submitted to the executive committee; the executive committee then reviews and, where appropriate, accepts the final versions of the contracts and approves the proposal.
- b) Project implementation phase: (i) throughout the implementation of the project, a process for monitoring risks is in place, during which the team in charge of the project monitors the development of any risks identified in the contractual documents and identifies any new risks that may arise; the team and the project leader submit any relevant information to Group management, since it is the responsibility of the project leader to report to management on the project's progress and risk monitoring; (ii) next is the process of analysing any deviations, during which the project team analyses the probability of risks occurring and their potential impact, applying historic criteria and analysing the situation; the project team also ranks the risks according to their degree of probability and identifies those that require decision-making or the adoption of measures; (iii) lastly, the process of adopting corrective measures is applied, during which the project team identifies and analyses the underlying causes of probable contingencies, evaluates alternative measures, estimates the cost of each measure and selects the specific measure to adopt.

**E.5. Indicate any risks, including tax risks, that have arisen during the year:**

Risks associated with the fulfilment of contractual conditions.

The Company has incurred costs intended to compensate customers when the Company was unable to exactly comply with the conditions envisaged in the contract.

The Company incurred deviations in margins as a result of the structure of the turnkey projects, which sets the sale price and leaves open potential costs associated with the construction of the plant.

**E.6. Explain the response and monitoring plans for the Company's main risks, including tax risks, as well as the procedures followed by the Company to ensure that the Board of Directors responds to the new challenges that arise:**

Técnicas Reunidas is organised into various divisions, each with its own sphere of responsibility for risk management with regard to the Company's activities. Within the Operations Department, the Planning, Cost Control, and Risk and Opportunity Management Area is responsible for establishing the processes for implementing Risk and Opportunity (R&O) Management during: 1) the proposal phase of a project until its award; 2) the "OBE" phase of a project until its conversion; 3) the implementation phase of the project, from the time the contract is signed until the project is completed (according to the contractual terms). Project R&O management includes the processes related to planning R&O management, and the identification, analysis and response to risks and opportunities, and their monitoring/supervision and control during a project.

The Finance Department is responsible for implementing the ICFR system, which aims to control the process of preparing the separate and consolidated



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financial statements contained in the published reports and ensuring that they are accurate, reliable, complete and clear.

In accordance with section 13 of the Board Regulations, the Audit and Control Committee oversees the effectiveness of the internal control systems and the financial risk management systems. In addition, the Committee will supervise the process of preparing and presenting the financial information, as well as its integrity, by reviewing the Group's internal control systems and verifying their adequacy and integrity. The Company may be assisted by internal and external auditors in the performance of its functions.

The risk control systems undergo constant review with regard to the Company's activities. In addition, the Company has implemented a lessons learned policy, which entails, upon completion of each project, the identification of any erroneous aspects of the project's implementation and the establishment of optimal procedures for application in similar situations in the future.

Lastly, the Company is in the process of developing a Recommended Practices Manual on Counterparty Risk Assessment, which contains various recommendations and procedures to be implemented based on the estimated risk associated with the Company's counterparties.

**F. SYSTEMS OF INTERNAL RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)**

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Describe the mechanisms comprising the risk control and management systems in relation to the entity's internal control over financial reporting (ICFR).

**F.1. The entity's control environment**

Specify at least the following components with a description of their main characteristics:

F.1.1 The bodies and/or functions responsible for: (i) the existence and maintenance of a suitable and effective ICFR system; (ii) its implementation; and (iii) its oversight.

Article 5 of the Board Regulations stipulates that the Board has the power to approve the risk control and management policy and to periodically monitor the internal control and reporting systems. The Board of Directors is therefore ultimately responsible for having an adequate and effective system for internal control over financial reporting ("ICFR").

In accordance with section 13 of the Board Regulations, the Audit and Control Committee is responsible for monitoring the effectiveness of the Company's internal control, internal audit and risk management systems, and for discussing with the auditor any significant weaknesses in the internal control system identified during the performance of the audit, all without undermining their independence. The Company may be assisted by internal and external auditors in the performance of its functions.

Senior executives, through the Finance Department, are responsible for implementing the ICFR system, which aims to control the process of preparing the separate and consolidated financial statements contained in the published reports and ensuring that they are accurate, reliable, complete and clear.

F.1.2 The existence or otherwise of the following components, especially in connection with the financial reporting process:

- The departments and/or mechanisms in charge of: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) ensuring procedures are in place to communicate this structure effectively throughout the entity:

The Board of Directors is the body responsible for designing and reviewing the Group's organisational structure. This organisational structure includes mechanisms for defining the internal control structure, and the Group's Operations and Finance Departments are responsible for implementing internal control systems for key processes, for both operations and financial reporting.

The Operations Department, through the Standardisation and Procedures Department, issues the procedures for regulating the different processes associated with project management, including engineering, procurement, construction and cost control. The Cost Control Department is responsible for coordinating the management of information received from the various departments. Audits are conducted periodically to ensure that these procedures are properly implemented.

The Finance Department is responsible for the various transition processes from the information reported by the Operations Department to drawing up the financial and accounting information so as to ensure the accuracy and integrity of this information. Audits are conducted periodically to ensure that these procedures are properly implemented.

- Code of conduct, approving body, degree of dissemination and instruction, principles and values covered (stating whether specific reference is made to record keeping and financial reporting), body in charge of investigating breaches and proposing corrective or disciplinary action.

Técnicas Reunidas' Code of Conduct (the "Code of Conduct") has been in force throughout 2018, and the Company has carried out specific training actions on its content. The body responsible for its approval is the Board of Directors, and the document is available on the Company's website at [www.tecnicasreunidas.es](http://www.tecnicasreunidas.es). The Company has disseminated this document to all persons subject to its provisions by means of specific emails and has also carried out online training actions on the Code of Conduct.

The principles and values that form the basis of the Code of Conduct and that set out the model behaviour for Técnicas Reunidas when dealing with stakeholders in exercising its activities include, among others, integrity, professionalism, respect for the law, human rights and civic values, quality and innovation, customer orientation, professional development, non-discrimination, equal opportunities and respect for the environment.

The Code of Conduct includes specific references to record keeping and financial reporting in section 4.1.5, cited below as regards this matter:

"The TR Group considers information and knowledge as essential assets for the management of its business, which therefore require special protection.

Likewise, the Group declares that veracity of information (in particular with regard to financial reporting, which will faithfully reflect the Group's economic and financial position and equity) will be one of the guiding principles for all its actions.

The Group's professionals will share and communicate, in a transparent and truthful manner, any information that they must transmit, whether internally or externally, and under no circumstances will knowingly provide or introduce into the computer systems incorrect or inaccurate information, or in any way mislead the recipient of the information.

Likewise, all of the TR Group's economic transactions must be accurately and clearly reflected in the corresponding records, in accordance with the applicable international financial reporting standards."

The Company has a regulatory compliance officer, who is responsible for analysing non-compliance and proposing corrective actions and sanctions.

#### Compliance policies

For the purpose of strengthening dissemination and the commitment of its professionals and business partners to the values and principles in its Code of Conduct, Técnicas Reunidas has implemented various training and awareness-raising policies, procedures and programmes that allow them to become aware of the behaviour that is expected of them in carrying out their activities.

#### Due diligence

Técnicas Reunidas has strengthened its due diligence procedures with regard to its supply chain and subcontracting, by including the corresponding integrity analysis in its pre-qualification and certification processes for third parties, prior to establishing the commercial relationship, which will allow potential risks to be prevented and/or detected early, as well as their subsequent and ongoing monitoring.

- Whistleblowing channel, for reporting to the audit committee any irregularities of a financial or accounting nature, as well as breaches of the code of conduct and malpractice within the organisation, stating whether reports made through this channel are confidential.

The Code of Conduct has implemented a whistleblowing channel for these purposes, which enables issues to be reported in relation to financial reporting and accounting, as well as possible breaches of the code of conduct and irregular activities within the organisation. This whistleblowing channel is confidential.

- Training programmes and periodic refresher courses for personnel involved in preparing and reviewing financial information and evaluating the ICFR system, which at least cover accounting standards, auditing, internal control and risk management.

Training courses are planned and carried out on an annual basis for personnel involved in preparing and reviewing the financial information, including programs for updating accounting standards, as well as other processes that allow them to gain a clear understanding of the management of financial information. In 2018, several in-person training sessions were provided, specifically for personnel who are intrinsically involved in financial reporting.

In addition, within the framework of the Group's global training implemented by the Human Resources Department, specific financial courses were provided to relevant personnel of the operational areas involved in processes that may impact the financial reporting of the Company and its Group.

**F.2. Risk assessment in financial reporting**

Report at least the following:

F.2.1 The main characteristics of the risk identification process, including risks of error or fraud, with respect to:

- Whether the process exists and is documented.

At the request of the Company's Audit and Control Committee, the Group has compiled a catalogue of key risks, which includes those that may have an impact on internal control over financial reporting. This catalogue was created using the COSO II (Committee of Sponsoring Organizations for the Commission of the Treadway Commission) methodology. The similarity of the projects carried out over time and the relatively small number of contracts gives rise to a certain degree of stability in the catalogue of key risks in relation to internal control over financial reporting.

During the process of adapting the ICFR system to the recommendations issued by the Spanish National Securities Market Commission (CNMV), the traceability between the Group's catalogue of key risks with the impact on financial reporting and the key business processes that may have an effect on the financial statements was monitored, and it was verified that most of the key risks impact and/or are managed in the processes within the envisaged scope.

- Whether the process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), is updated and with what frequency.

The Group has defined activities and processes covering those transactions that may have an impact on the financial statements, as well as their associated objectives and risks, the existing controls and procedures implemented that are associated with these controls.

The process covers all financial reporting objectives (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations).

- Whether a specific process is in place to define the scope of consolidation, with reference to the possible existence of complex corporate structures, special purpose vehicles, holding companies, etc.

The consolidated Group does not have complex business structures or special purpose vehicles and, therefore, this is not considered to pose a risk to financial reporting. However, the scope of consolidation is reviewed by the Finance Department on a quarterly basis and by the external auditors every six months.

The accounting treatment corresponding to the Group's various entities as subsidiaries, associates or jointly controlled entities is in accordance with the Group's regulations and is reviewed by the Finance Department and the external auditors.

- Whether the process addresses other types of risk (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they may affect the financial statements.

The internal control of the transactions performed requires the assessment of various types of risk (legal, technological, environmental, etc.). The financial reporting process draws information from the information system for the control of operations, which includes an appropriate assessment of these risks.

- Which of the Company's governing bodies is responsible for overseeing the process.
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The Company's Finance Department and the Operations Department are responsible for supervising the process.

Transactions that are not linked to regular operations are subject to detailed analysis by the Group's senior executives, who may request assistance from third-party experts when necessary.

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### **F.3. Control activities**

Specify at least the following components with a description of their main characteristics:

- F.3.1 Procedures for reviewing and authorising financial reporting and the description of the ICFR system to be disclosed to the securities markets, indicating those in charge, as well as documentation describing the flows of activities and controls (including those addressing the risk of fraud) for the various types of transactions that may have a material effect on the financial statements, including the accounting close procedure and the specific review of the relevant judgements, estimates, evaluations and projections.

Senior executives, mainly through the Finance Department, are responsible for reviewing the financial information. The separate and consolidated financial statements and the half-yearly financial reports are reviewed by the Audit and Control Committee, in collaboration with the external auditors, who offered their recommendations. The Chairman and the First Deputy Chairman review and approve the financial statements, whose subsequent authorisation for issue is the responsibility of the Board of Directors. The financial information for the first and third quarters is also subject to review by the Audit and Control Committee. The Audit and Control Committee is the body responsible for supervising the ICFR system, with the assistance of the Company's internal and external auditors.

The Group has procedures and controls in place on the activities and processes covering the main transactions that may have an effect on its financial statements, including:

- Project estimates and implementation, including engineering design, procurement management, construction and cost control; results forecasts; determination of project progress; and foreign currency management.
- Treasury management.
- Management of invoicing and collections.
- Taxation.
- Reporting and consolidation process.

Procedures that are considered essential include a detailed description of the activities and sub-activities, and the way in which they must be carried out. The various levels of responsibility associated with the performance of the various activities are also defined. The general work instructions (GWIs) or procedures drawn up by the Company for internal control purposes are available on the Group's corporate intranet.

The Finance Department uses the accounting policies contained in the Accounting Policies Manual and in the IFRSs necessary to prepare its estimates for the Operations Department.

- F.3.2 Internal control policies and procedures for IT systems (including secure access, control of changes, system operation, continuity and segregation of duties) giving support to key company processes regarding the preparation and publication of financial information.

Técnicas Reunidas uses the SAP system (Systems, Applications and Products in data processing) for compiling financial information. The SAP system falls within the scope of the Company's Information Security Management System, which is certified according to international standard ISO/IEC 27001:2005. System access is protected by individually assigned secured access codes, which are changed on a quarterly basis.

The SAP system currently has development, testing and production environments. Any changes to the system's programs or parameters are made in the development environment, then moved to the testing environment and, once validated, they are moved to the production environment. Each change to the system is therefore logged during the process of moving it to the production environment.

The current documentation related to the SAP system, which forms part of the Information Security Management System, is as follows:

- The Information Security Policy.

- The Information Security Management System Manual.
- The procedures for controlling changes, access, operations, continuity and segregation of duties in IT.

All of this documentation is available on Técnicas Reunidas' corporate intranet.

The Group also uses specific applications for the processes involved in the entire materials and procurement management cycle, the control of activities and the planning and consolidation of the financial statements. There are also security policies, access control and continuity guarantees in place.

**F.3.3 Internal control policies and procedures for overseeing the management of activities outsourced to third parties and of the appraisal, calculation or valuation services commissioned from independent experts, when these may materially affect the financial statements.**

At 2018 year-end, there were no activities or processes outsourced to third parties that may be considered relevant to the process of preparing financial information. The services of independent experts have been engaged to carry out evaluations, calculations and assessments that may have a material effect on the financial statements, mainly those related to the valuation of employment-related liabilities or those of advisors related to litigation. In these cases, the services are provided by specialised firms of renowned prestige. The Legal Department supervises the assessments carried out by third parties.

**F.4. Information and communication**

Specify at least the following components with a description of their main characteristics:

- F.4.1** A specific function in charge of defining and updating accounting policies (accounting policies area or department) and resolving any doubts or disputes that may arise over their interpretation, which is in regular communication with the team in charge of operations; and a manual of accounting policies regularly updated and communicated to all the Company's operating units.

The Accounting and Consolidation Unit, which reports to the Finance Department, is responsible for identifying, defining and updating the Group's accounting policies and for answering queries and resolving conflicts arising from their interpretation. In 2018, the impact assessments on the implementation of IFRS 9 and IFRS 15 was analysed. The Group has an up-to-date Accounting Policies Manual that is reviewed by the external auditors on a regular basis. The subsidiaries are informed of the accounting policies and any changes that might apply to them through regular internal meetings. Likewise, the Finance Department is responsible for reporting any changes made to the Accounting Policies Manual to the Audit and Control Committee.

The Group's financial reporting control policy includes the performance of mandatory or voluntary external audits on virtually all subsidiaries that are included in the scope of consolidation (even when they are not significant subsidiaries). These audits are entrusted to international firms of renowned prestige.

- F.4.2** Mechanisms in standard format for the capture and preparation of financial information, which are applied and used in all units within the Company or group, and support its main financial statements and accompanying notes as well as disclosures concerning ICFR.

The process for consolidation and preparation of the financial information is centralised. The centralised information system of financial reporting, which is managed directly by the Group's Finance Department, covers 80% of the Group's turnover. The remaining financial information derives from financial statements reviewed by the external auditors, and the Finance Department is responsible for ensuring their standardisation. The Group also has control mechanisms in place to ensure that the financial reporting includes all the breakdowns necessary for their accurate interpretation by the markets.



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**F.5. Monitoring**

Specify at least the following components with a description of their main characteristics:

F.5.1 The ICFR monitoring activities undertaken by the audit committee and whether the entity has an internal audit function whose competencies include supporting the audit committee in its role of monitoring the internal control system, including ICFR. Describe the scope of the ICFR assessment conducted in the year and the procedure for the person in charge to communicate its findings. State also whether the Company has an action plan specifying corrective measures for any flaws detected, and whether it has taken stock of their potential impact on its financial information.

The Audit and Control Committee is responsible for annually approving the work plan of the Internal Audit Department, which in turn submits the report on activities carried out, as well as any issues identified during the implementation of the work plan.

The Internal Audit Department's annual work plan includes the review of the ICFR system. The results of this assessment are reported to the Audit and Control Committee, as well as any recommendations for improvements to be implemented for subsequent monitoring.

F.5.2 A discussion procedure whereby the auditor (pursuant to TAS), the internal audit function and other experts can report any significant internal control weaknesses encountered during their review of the financial statements or other assignments, to the Company's senior executives and its audit committee or Board of Directors. State also whether the entity has an action plan to correct or mitigate the weaknesses identified.

In order to fulfil the responsibilities assigned by the Board of Directors, the Audit and Control Committee has held a total of 11 meetings in 2018, which were attended by the Chief Financial Officer and the Head of the Internal Audit Department, after being invited by the Chairman to discuss certain items on the agenda. These meetings include those held prior to the publication of the Company's regular financial reports in order to obtain and analyse this information. These meetings involve reviewing the separate and consolidated financial statements, the half-yearly and quarterly financial reports, the informative notes on results for submission to the CNMV and any other information of interest. The external auditors, at the meetings of the Audit and Control Committee that are held for the purpose of reviewing the financial statements and that require their attendance, after being invited by the Chairman to discuss certain items on the agenda, submit a series of recommendations related to aspects including internal control, resulting from their general work as the Group's auditors.

Each year the external auditors are entrusted with a specific task, performed jointly with the Internal Audit Department, aimed at assessing the ICFR system implemented.

**F.6. Other relevant information**

All relevant information has been included in the sections above.

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**F.7. External auditor's report**

Report on:

F.7.1 Whether the ICFR information supplied to the market has been reviewed by the external auditor, in which case the corresponding report should be attached. Otherwise, explain the reasons for the absence of this review.

In 2018, the external auditor issued its report on the review of the ICFR for 2017. This report was published on the website of the Company and the Spanish National Securities Market Commission. The ICFR will also be reviewed by the external auditor in 2019.

**F.**

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**G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS**

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Indicate the Company's degree of compliance with the recommendations of the good governance code for listed companies.

Should the Company not comply with any of the recommendations or comply only in part, include a detailed explanation of the reasons so that shareholders, investors and the market in general have enough information to assess the Company's behaviour. General explanations are not acceptable.

1. The sections of association of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the Company by means of share purchases on the market.

Compliant  Explain

2. When a parent and a subsidiary are listed companies, both should provide detailed disclosure on:

- a) The type of activity they engage in, and any business dealings between them, as well as between the listed subsidiary and other group companies.
- b) The mechanisms in place to resolve possible conflicts of interest.

Compliant  Partially compliant  Explain  Not applicable

3. During the annual General Meeting, the chairman of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the Company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:

- a) Changes taking place since the previous annual General Meeting.
- b) The specific reasons why the Company does not follow certain recommendations of the Corporate Governance Code and the alternative rules applied in this connection, should any exist.

Compliant  Partially compliant  Explain

During its General Meeting, the Company explained the changes in corporate governance since the previous Annual General Meeting, but not the specific reasons why the Company does not follow certain recommendations of the Corporate Governance Code, as its shareholders are considered to already have sufficient information in this regard. In particular, its shareholders are provided with various documentation along with the call notice for the Annual General Meeting, including the Annual Corporate Governance Report, which explains in detail the specific reasons why certain recommendations of the Corporate Governance Code were not followed.

4. The Company should draw up and implement a policy of communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.
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This policy should be disclosed on the Company's website, complete with details of how it has been put into practice and the identities of the relevant interlocutors or those charged with its implementation.

Compliant [ ] Partially compliant [ X ] Explain [ ]

The Company made its Code of Conduct (the "Code") and the Internal Code of Conduct on Securities Markets available to all its shareholders and investors on the Company's website (<http://www.tecnicasreunidas.es/recursos/doc/accionistas-e-inversores/gobierno-corporativo/codigo-de-conducta-2017.pdf> y <https://www.tecnicasreunidas.es/wp-content/uploads/2018/11/reglamento-interno-2017.pdf>, respectively).

The Code implements the general underlying principles of the Company's actions and establishes action policies for various areas. In particular, with regard to the processing of information and knowledge, section 4.1.5 of the Code stipulates the following: "With regard to the information that TR must disclose to the markets as a listed company, the TR Group is committed to acting with complete transparency, implementing specific procedures for ensuring the accuracy and veracity of corporate reporting and preventing corporate crime and market abuse. This information will include all that necessary to ensure that investors' decisions are based on knowledge and understanding of the Company's business strategies and operations. In particular, all information disclosed to the market must be characterised not only by compliance with applicable regulations, but also by its accessible language and its objectives, accuracy, comprehensiveness and relevance, and respect for all investors' right to information. The relevant information must be identified, prepared and disclosed in due time and form."

In addition, section 4.3.8 of the Code ("Shareholder relations") stipulates the following: "In addition, the guaranteed establishment of channels for communication and consultation ensures that shareholders have access to accurate, relevant, useful and complete information on the Group's performance, creating the conditions necessary to ensure that shareholders' involvement in the decisions within their competence is extensive and informed in order to maximise value creation. The TR Group guarantees its shareholders the principle of equal treatment in access to information on the Group's performance."

Accordingly, section 5 of the Company's Internal Code of Conduct on Securities Markets stipulates that its obligations in this regard include the following:

"The persons subject to its provisions and insiders that have any type of Privileged Information must refrain from directly or indirectly engaging, whether on their own behalf or on behalf of another, in the following:

(...)

(c) Illegally disclose Privileged Information, whereby illegal communication is understood to be any Privileged Information disclosed to any other person, except when this disclosure takes place in the normal course of the work, profession or duties."

Therefore, the Company considers that the principles on which the Company's communications with all third parties must be based, including transparency and equal treatment, and that are applicable to shareholders, institutional investors and proxy advisors, have already been published on the Company's website. However, the Company's Board of Directors is planning to approve a "Policy on information, communication and contract with shareholders, institutional investors and proxy advisors of Técnicas Reunidas, S.A.", which will be published on its corporate website, as well as information relating to the way in which this policy has been implemented, so that the annual corporate governance report for next year is able to fully comply with this recommendation.

5. The Board of Directors should not make a proposal to the General Meeting for the delegation of powers to issue shares or convertible securities without pre-emption rights for an amount exceeding 20% of capital at the time of such delegation.

When a board approves the issuance of shares or convertible securities without pre-emption rights, the Company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

Compliant [ X ] Partially compliant [ ] Explain [ ]

6. Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual General Meeting, even if their distribution is not obligatory:

- a) Report on auditor independence.
- b) Reports on the operation of the audit committee and the appointments and remuneration committee.
- c) Audit committee report on related party transactions.
- d) Report on corporate social responsibility policy.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

The Company has published reports on auditor independence, on the operation of the committees and on related party transactions, but not on corporate social responsibility policy.

With regard to the report on corporate social responsibility policy, the Company considers that it has already provided sufficient information in this regard at the following link of the corporate website (<http://www.tecnicasreunidas.es/es/informacion-para-accionistas-einversores/responsabilidad-social-corporativa/>), as well as in the analysis of the Company's progress on corporate social responsibility, which is included in the integrated report that is published on the Company's website (<https://www.tecnicasreunidas.es/wp-content/uploads/2018/07/informe-integrado-2017.pdf>).

- 7.** The Company should broadcast its General Meetings live on the corporate website.

Compliant [  ]    Explain [  ]

The Company considers that the General Meeting is one of the most important moments in corporate life and the formation of corporate will and, therefore, provides shareholders with the appropriate means for participating remotely and the information necessary for its shareholders to be aware of the state of the Company and participate in an informed manner, if they wish, in the General Meeting. However, given that the Articles of Association do not provide for remote attendance at the General Meeting and the Company has not received any request from shareholders to stream a live broadcast of the meeting, the Company has opted not to broadcast the meeting, with the subsequent reduction in financial and organisational expenses arising therefrom.

- 8.** The audit committee should strive to ensure that the Board of Directors can present the Company's accounts to the General Meeting without reservations or qualifications in the auditor's report. In the exceptional case that qualifications exist, both the chairman of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

- 9.** The Company should disclose its conditions and procedures for admitting share ownership, the right to attend General Meetings and the exercise or delegation of voting rights, and display them permanently on its website.

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

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**10.** When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the General Meeting, the Company should:

- a) Immediately circulate the supplementary items and new proposals.
- b) Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the Board of Directors.
- c) Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the Board of Directors, with particular regard to presumptions or deductions about the direction of votes.
- d) After the General Meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

**11.** In the event that a company plans to pay for attendance at the General Meeting, it should first establish a general, long-term policy in this respect.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

**12.** The Board of Directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the Company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

**13.** The Board of Directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Compliant [  ]    Explain [  ]

**14.** The Board of Directors should approve a director selection policy that:

- a) Is concrete and verifiable.
  - b) Ensures that appointment or re-election proposals are based on a prior analysis of the board's needs.
  - c) Favours a diversity of knowledge, experience and gender.
-

The results of the prior analysis of board needs should be written up in the appointments committee's explanatory report, to be published when the General Meeting is convened that will ratify the appointment and re-election of each director.

The director selection policy should pursue the goal of having at least 30% of total board places occupied by women directors before the year 2020.

The appointments committee should run an annual check on compliance with the director selection policy and set out its findings in the annual corporate governance report.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

The Company's bodies responsible for selecting directors, essentially the Board of Directors and the Appointments and Remuneration Committee, are guided at all times by merit-based criteria that ensure the most competent, experienced and honourable composition of the Board possible, in the Company's best interests. In addition, and as expressly indicated in the Board Regulations, the Board ensures that the procedures for selecting its members favour diversity of gender, experience and knowledge, and are free from any implied bias entailing any kind of discrimination and, in particular, that facilitate the selection of female directors, whereby these criteria are applied in the specific processes for selecting directors in order to evaluate different profiles, including women.

However, the Company is assessing the possibility of approving a formal policy in 2019 ("Diversity and Director Selection Policy for the Board of Directors of Técnicas Reunidas, S.A."), which expressly indicates that the Board of Directors of Técnicas Reunidas will promote compliance with the objectives regarding representation of female directors envisaged in applicable legislation, while also ensuring the cultural diversity and presence of members with international knowledge and experience.

- 15.** Proprietary and independent directors should constitute an ample majority on the Board of Directors, while the number of executive directors should be the minimum necessary, bearing in mind the complexity of the corporate group and the shares they control.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

- 16.** The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion of the capital represented on the board by these directors to the remainder of the Company's capital.

This criterion may be relaxed:

- a) In large cap companies where few or no shares attain the legal threshold for significant shareholdings.
- b) In companies with a plurality of shareholders represented on the board but not otherwise related.

Compliant [  ]    Explain [  ]

- 17.** The number of independent directors should represent at least half of all Board members.
-

However, when the Company does not have a large market capitalisation, or when a large cap company has shareholders individually or concertedly controlling over 30% of capital, independent directors should occupy, at least, a third of board places.

Compliant  Explain

**18.** Companies should post the following director particulars on their websites, and keep them permanently updated:

- a) Professional experience and background.
- b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.
- c) An indication of the director category to which they belong, in the case of proprietary directors indicating the shareholder they represent or are related thereto.
- d) Dates of their first appointment as a Board member and subsequent re-elections.
- e) Shares held in the Company and any options thereon.

Compliant  Partially compliant  Explain

**19.** Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the request of shareholders controlling less than 3% of capital and explain any rejection of a formal request for a board place from shareholders whose share is equal to or greater than that of others applying successfully for a proprietary directorship.

Compliant  Partially compliant  Explain  Not applicable

**20.** Proprietary directors should resign when the shareholders they represent dispose of their share in its entirety. If such shareholders reduce their share, thereby losing some of their entitlement to proprietary directors, the latter's number should be reduced accordingly.

Compliant  Partially compliant  Explain  Not applicable

**21.** The Board of Directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the sections of association, except where they find just cause, based on a proposal from the appointments committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a Board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the Company's capital structure, provided the changes in Board membership ensue from the proportionality criterion set out in recommendation 16.

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Compliant  Explain

- 22.** Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

The moment a director is prosecuted or tried for any of the offences stated in company legislation, the Board of Directors should open an investigation and, in light of the particular circumstances, decide whether or not he or she should be called on to resign. The board should give a reasoned account of all such determinations in the annual corporate governance report.

Compliant  Partially compliant  Explain

- 23.** Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors unaffected by the conflict of interest should challenge any decision that could go against the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary to the board, even if he or she is not a director.

Compliant  Partially compliant  Explain  Not applicable

- 24.** Directors who give up their place before their tenure expires, through resignation or otherwise, should state their reasons in a letter to be sent to all Board members. Irrespective of whether such resignation is filed as a significant event, the motive for it must be explained in the annual corporate governance report.

Compliant  Partially compliant  Explain  Not applicable

- 25.** The appointments committee should ensure that non-executive directors have sufficient time available to discharge their responsibilities effectively.

The Board of Directors regulations should lay down the maximum number of company boards on which directors can serve.

Compliant  Partially compliant  Explain

Article 26 of the Board Regulations stipulates that directors are obliged to be adequately informed and prepared for Board meetings and, where applicable, meetings of the delegated bodies of which they are members. Article 34 of the Board Regulations stipulates that the duties of the directors include informing the Company of any positions they hold on the boards of other listed companies and, in general, of any facts, circumstances or situations that may be relevant in relation to their activities as administrator of the Company in accordance with these Regulations. However, there are no other additional rules approved in relation to the number of boards on which they may serve as directors.

26. The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

The Company's Board of Directors met on ten occasions in 2018, following the schedule of dates and topics established at the beginning of the year.

However, although section 15.3 of the Board Regulations establishes the possibility that three directors other than the Chairman may call a Board of Directors meeting and propose the agenda considered appropriate, this power may only be individually exercised by the Independent Lead Director and the Chairman and, in the event of absence or incapacity, the Deputy Chairman.

27. Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the Company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

29. The Company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the Company's expense.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

30. Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.

Compliant [  ]    Explain [  ]    Not applicable [  ]

31. The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

32. Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the Company and its group.

Compliant  Partially compliant  Explain

- 33.** The chairman, as the person charged with the efficient functioning of the Board of Directors, in addition to the functions assigned by law and the Company's sections of association, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular assessments of the board and, where appropriate, the Company's chief executive; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.

Compliant  Partially compliant  Explain

- 34.** When a lead independent director has been appointed, the sections of association or Board of Directors regulations should grant them the following powers over and above those conferred by law: chair the Board of Directors in the absence of the chairman or deputy chairmen; give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the Company's corporate governance; and coordinate the chairman's succession plan.

Compliant  Partially compliant  Explain  Not applicable

The independent lead director currently exercises these powers in addition to those envisaged in section 529 septies of the Spanish Corporate Enterprises Act, including the responsibility for coordinating the succession plan for the Chairman and the other functions assigned to the lead director in recommendation 34 of the Good Governance Code. These powers are exercised de facto by the lead director. However, since these powers are not expressly included in the Articles of Association or the Board Regulations, the Company considers that it does not currently comply with this recommendation.

- 35.** The board secretary should strive to ensure specifically that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the Company.

Compliant  Explain

- 36.** The board in plenary session should conduct an annual assessment, adopting, where necessary, an action plan to correct weakness detected in:
- a) The quality and efficiency of the board's operation.
  - b) The operation and composition of its committees.
  - c) The diversity of Board membership and competences.
  - d) The performance of the chairman of the Board of Directors and the Company's chief executive.
  - e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.
-

The assessment of board committees should start from the reports they send the Board of Directors, while that of the board itself should start from the report of the appointments committee.

Every three years, the Board of Directors should engage an external consultant to aid in the assessment process. This consultant's independence should be verified by the appointments committee.

Any business dealings that the facilitator or members of its corporate group maintain with the Company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

The Company complies with this recommendation with the exception of that indicated in letter e), given that the performance and contribution of each director was not assessed on an individual basis.

**37.** When an executive committee exists, its membership mix by director class should resemble that of the board. The secretary to the board should also act as secretary to the executive committee.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

**38.** The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all Board members should receive a copy of the committee's minutes.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

**39.** All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters. A majority of committee places should be held by independent directors.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

**40.** Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

**41.** The head of the unit handling the internal audit function should present an annual work programme to the audit committee, inform it directly of any incidents arising during its implementation and submit an activities report at the end of each year.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

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**42.** The audit committee should have the following functions over and above those legally assigned:

1. With regard to internal control and reporting systems:

- a) Monitor the preparation and the integrity of the financial information prepared on the Company and, where appropriate, the group, checking for compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles.
- b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment, re-election and removal of the head of the internal audit service; propose the service's budget; approve its priorities and work programmes, ensuring that it focuses primarily on the main risks the Company is exposed to; receive regular report-backs on its activities; and verify that senior executives are acting on the findings and recommendations of its reports.
- c) Establish and monitor a mechanism whereby employees can report, in a confidential or, if appropriate and feasible, anonymous manner, any potentially significant irregularities within the Company, particularly of a financial and accounting nature.

2. With regard to the external auditor:

- a) Investigate the issues giving rise to the resignation of any external auditor.
- b) Ensure that the remuneration of the external auditor does not compromise its quality or independence.
- c) Ensure that the Company reports any change in the external auditor to the CNMV as a significant event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons behind them.
- d) Ensure that the external auditor has a yearly meeting with the board in plenary session to inform it of the work undertaken and developments in the Company's risk and accounting positions.
- e) Ensure that the Company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.

Compliant [ X ]    Partially compliant [ ]    Explain [ ]

**43.** The audit committee may call on any company employee or manager to be present at its meeting, even ordering their presence without another senior officer.

Compliant [ X ]    Partially compliant [ ]    Explain [ ]

**44.** The audit committee should be informed of any fundamental changes or corporate transactions the Company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.

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Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

**45.** The risk control and management policy should identify at least:

- a) The different types of financial and non-financial risk the Company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.
- b) The determination of the risk level the Company sees as acceptable.
- c) The measures in place to mitigate the impact of risk events should they occur.
- d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance-sheet risks.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

The Company's risk control and management systems, described in detail in section E ("Risk Control and Management Systems") currently analyse and develop the financial and non-financial risks related to the phase of preparing bids (in particular, operating, technological, legal, social, environmental and political risks) and, where applicable, the phase of implementing the projects by the Company, as well as the internal reporting and control systems used to control and manage the above-mentioned risks and the measures in place to mitigate the impact of these risks, should they occur.

The risk control systems undergo constant review with regard to the Company's activities.

**46.** Companies should establish a risk control and management function in the charge of one of the Company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:

- a) Ensure that risk control and management systems are functioning correctly and, specifically, that major risks to which the Company is exposed are correctly identified, managed and quantified.
- b) Participate actively in the preparation of risk strategies and in key decisions about their management.
- c) Ensure that risk control and management systems are mitigating risks effectively within the framework of the policy defined by the Board of Directors.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

The Company's internal audit department performs these functions with regard to the Company's financial risks. In accordance with the Company's risk control and management system described above in section E ("Risk Control and Management Systems"), non-financial risks are assessed, where applicable, by the Company's areas or departments that carry out these functions in practice, without these functions being expressly attributed thereto in the Company's corporate documentation.

However, given the specific in nature of the Company and its Group, the Board of Directors will assess the appropriateness of attributing these powers to an internal risk control and management function exercised by a specific internal department or unit of the Company.

47. Appointees to the appointments and remuneration committee – or of the appointments committee and the remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge and that the majority of their members should be independent directors.

Compliant [ X ]    Partially compliant [ ]    Explain [ ]

48. Large cap companies should operate separately constituted appointment and remuneration committees.

Compliant [ ]    Explain [ X ]    Not applicable [ ]

The Company has a single committee with powers encompassing matters related to appointments and remuneration. Given that the members of this committee has been chosen from among the Company's directors, taking into account their knowledge, skills and experience that are appropriate to the committee's duties and in respect of the appointments and remuneration areas, the Company considers that if the committees were separate, their membership would probably overlap, thus unnecessarily increasing the expenditure for the Company.

Moreover, the Committee currently has full operational capacity to assume both functions without there being any circumstances that would prevent them from being performed correctly and, therefore, the existence of a single committee is neither detrimental to nor limits the exercise of the functions relating to appointments and remuneration attributed by law to specialised supervisory committees. If this situation changes in the future or if there are any reason to do so, the Board of Directors would assess whether two separate committees need to be formed.

49. The appointments committee should consult with the Company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the appointments committee to propose candidates that it might consider suitable.

Compliant [ X ]    Partially compliant [ ]    Explain [ ]

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- a) Propose to the board the standard conditions for senior executive contracts.
  - b) Monitor compliance with the remuneration policy set by the Company.
  - c) Periodically review the remuneration policy for directors and senior executives, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior executives in the Company.
  - d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.
  - e) Verify the information on the remuneration of the directors and senior executives contained in the various corporate documents, including the annual report on directors' remuneration.
-

Compliant  Partially compliant  Explain

- 51.** The remuneration committee should consult with the Company's chairman and chief executive, especially on matters relating to executive directors and senior executives.

Compliant  Partially compliant  Explain

- 52.** The terms of reference of supervision and control committees should be set out in the Board of Directors regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include at least the following terms:

- a) Committees should be formed exclusively by non-executive directors, with a majority of independent directors.
- b) Committees should be chaired by an independent director.
- c) The board should appoint the members of such committees having regard to the knowledge, skills and experience of its directors and remit of each committee and discuss their proposals and reports; and the committees should report the business transacted and account for the work performed at the first plenary session of the board following each committee meeting.
- d) Committees may engage external advisors, when they feel this is necessary for the discharge of their duties.
- e) Meetings should be recorded in minutes and a copy made available to all Board members.

Compliant  Partially compliant  Explain  Not applicable

The rules on the composition and operation of the Audit and Control Committee and the Appointments and Remuneration Committee are expressly included in the Board Regulations with regard to all points indicated, except for the final part of the letter c) "that they account, at the first plenary session of the Board of Directors following its meetings, for their activities and answers for the work carried out", although both committees carry out this task in practice.

- 53.** The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one board committee or split between several, which could be the audit committee, the appointments committee, the corporate social responsibility committee, where one exists, or a dedicated committee established ad hoc by the board under its powers of self-organisation, with at the least the following functions:

- a) Monitor compliance with the Company's internal codes of conduct and corporate governance rules.
  - b) Oversee the communication and relations strategy with shareholders and investors, including small- and medium-sized shareholders.
  - c) Periodically evaluate the effectiveness of the Company's corporate governance system, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.
-

- d) Review the Company's corporate social responsibility policy, ensuring that it is geared to value creation.
- e) Monitor corporate social responsibility strategy and practices and assess their degree of fulfilment.
- f) Monitor and evaluate the Company's interaction with its stakeholders.
- g) Evaluate all aspects of the non-financial risks the Company is exposed to, including operational, technological, legal, social, environmental, political and reputational risks.
- h) Coordinate non-financial and diversity reporting processes in accordance with applicable legislation and international benchmarks.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

The Board Regulations expressly attribute the function of "examining compliance with the Internal Code of Conduct, the Board Regulations and, in general, the Company's rules of governance, and making the necessary proposals for their improvement" to the Audit and Control Committee, and within the framework of this function, it is also responsible for supervising and reviewing corporate policies, such as the corporate social responsibility policy, and periodically assessing the effectiveness of the Company's corporate governance system.

In addition, the Board Regulations attribute to the Audit and Control Committee the function of controlling and supervising compliance with the risk control and management policy, which includes both financial and non-financial risks, but does not literally include the other functions established in this recommendation

**54.** The corporate social responsibility policy should state the principles or commitments the Company will voluntarily adhere to in its dealings with stakeholders, specifying at least:

- a) The goals of its corporate social responsibility policy and the support instruments to be deployed.
- b) The corporate strategy with regard to sustainability, the environment and social issues.
- c) Specific practices in matters related to: shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conducts.
- d) The methods or systems for monitoring the results of the practices referred to above, and identifying and managing related risks.
- e) The mechanisms for supervising non-financial risk, ethics and business conduct.
- f) Channels for stakeholder communication, participation and dialogue.
- g) Responsible communication practices that prevent the manipulation of information and protect the Company's honour and integrity.

Compliant [  ]    Partially compliant [  ]    Explain [  ]

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Técnicas Reunidas' Corporate Responsibility Policy, approved by its Board of Directors and that must be complied with by its employees, suppliers and contractors, describes the Company's environmental, social and ethical commitments for action. Técnicas Reunidas has also developed the necessary policies, processes and controls to promote behaviour aimed at fulfilling these commitments and that help to prevent, detect and eliminate actions that do not comply with the action principles established.

Although the Company's Corporate Responsibility Policy includes its objectives and the deployment of support instruments; corporate strategy in relation to sustainability, the environment and social matters; specific practices in matters related to shareholders, employees, customers, suppliers, corporate matters, the environment and the prevention of illegal conduct; and responsible communication practices that prevent the manipulation of information and protect integrity and reputation, it does not literally include other sections of this recommendation. The Company is therefore considered to partially comply with this recommendation.

- 55.** The Company should report on corporate social responsibility developments in its directors' report or in a separate document, using an internationally accepted methodology.

Compliant  Partially compliant  Explain

- 56.** Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

Compliant  Explain

- 57.** Variable remuneration linked to the Company's profit and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans should be confined to executive directors.

The Company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant  Partially compliant  Explain

- 58.** In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the Company's sector, or circumstances of that kind.

In particular, variable remuneration items should meet the following conditions:

- a) Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.
  - b) Promote the long-term sustainability of the Company and include non-financial criteria that are relevant for the Company's long-term value, such as compliance with its internal rules and procedures and its risk control and management policies.
-

- c) Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.

Compliant [  ] Partially compliant [  ] Explain [  ] Not applicable [  ]

There were two variable remuneration plans with similar content in 2018, applicable to José Lladó Fernández-Urrutia, as Chairman of the Company, and to Juan Lladó Arburúa, as First Deputy Chairman.

The plans detail an annual bonus system for each executive director for a maximum annual amount of EUR 550,000 for 2018, which will be paid, after being reviewed by the Appointments and Remuneration Committee, at the end of the year. This system, which was implemented and executed in 2016 and 2017, is linked to the fulfilment of the Company's annual targets. These targets are assessed by the Appointments and Remuneration Committee, where the main reference taken is the Company's results in the previous year and, in particular, those aspects contained in point 16.(ii) of the Directors Remuneration Policy for 2016, 2017 and 2018, approved at the Annual General Meeting held on 29 June 2016. The basic principles of this Policy include being focused on promoting the Company's profitability and long-term sustainability. Variable remuneration is limited to executive directors, which is in addition to their fixed remuneration and is paid at the end of the year, taking into consideration aspects such as (i) the Company's trading volume during this period; (ii) the volume of the order book; (iii) its revenue; (iv) its profits; and (v) shareholder returns during this period, among other aspects.

Therefore, variable remuneration is not based on medium- and long-term targets, given that the Company does not consider it necessary, since both executive directors have a long shareholding relationship with the Company and, therefore, the Company considers that their long-term interests are already sufficiently aligned. However, the Company is in the process of drawing up the Directors Remuneration Policy for 2019-2021, which will contain specific provisions regarding variable components of remuneration.

- 59.** A major part of variable remuneration components should be deferred for a long enough period to ensure that predetermined performance criteria have effectively been met.

Compliant [  ] Partially compliant [  ] Explain [  ] Not applicable [  ]

Variable remuneration is paid after year-end, once the Company's audit procedure confirms its relevant financial information to this effect. In this regard, the Company considers that this period is appropriate and sufficient to allow the Appointments and Remuneration Committee to carry out the assessment and verification of compliance with the parameters established in the Directors Remuneration Policy for 2016, 2017 and 2018, approved at the Annual General Meeting held on 29 June 2016. This assessment is based on the annual results of the Company and its consolidated Group, which are analysed by the Audit and Control Committee as part of the Company's standard procedure for the authorisation for issue of the financial statements, as well as the Company's performance during the reference period. Following this analysis, the Appointments and Remuneration Committee submits a proposal on the variable remuneration, which is subject to approval by the Board of Directors. With regard to the possibility of corrections for adjustments being made after the authorisation for issue of the financial statements at the General Meeting, the Company considers that this possibility is remote and, in any case, would be subject to analysis by the Appointments and Remuneration Committee, after which it would set out any relevant adjustments.

- 60.** In the case of remuneration linked to company earnings, deductions should be computed for any qualifications stated in the external auditor's report.

Compliant [  ] Partially compliant [  ] Explain [  ] Not applicable [  ]

- 61.** A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

The variable remuneration of executive directors does not involve the award of shares or financial instruments tied to the share price, given that the Company does not consider it necessary, since both executive directors have a long shareholding relationship with the Company and, therefore, the Company considers that their long-term interests are already sufficiently aligned.

- 62.** Following the award of shares, share options or other rights on shares derived from the remuneration system, directors should not be allowed to transfer a number of shares equivalent to twice their annual fixed remuneration, or to exercise the share options or other rights on shares for at least three years after their award.

The above condition will not apply to any shares that the director must dispose of to defray costs related to their acquisition.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

- 63.** Contractual arrangements should include provisions that permit the Company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

Although contractual arrangements do not include provisions in this regard, the Company would adopt the measures necessary to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated, where applicable.

- 64.** Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the Company confirms that he or she has met the predetermined performance criteria.

Compliant [  ]    Partially compliant [  ]    Explain [  ]    Not applicable [  ]

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#### **H. OTHER INFORMATION OF INTEREST**

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1. If you consider that there is any material aspect or principle relating to the Corporate Governance practices followed by your company that has not been addressed in this report and that is necessary to provide a more comprehensive view of the corporate governance structure and practices at the Company or group, explain briefly.
2. This section can include any other information, clarification or qualification relating to the previous sections of the report, provided that it is material and not repetitive.

Specifically indicate whether the Company is subject to corporate governance legislation from a country other than Spain and, if so, include the compulsory information to be provided when different from that required by this report.

3. Also state whether the Company voluntarily adheres to other international, industry-specific or other ethical principles or good practices. If applicable, identify the code and date of adoption. In particular, indicate whether the Company adheres to the Code of Best Tax Practices of 20 July 2010:

##### Note to section A.2

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED is an investment management company that manages, among others, fund assets and customers. It is an indirect subsidiary owned by FRANKLIN RESOURCES, INC., which does not become involved through direct or indirect instructions or in any way by exercising the voting rights of FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED.

Accordingly, ARIEL INVESTMENTS, LLC is an investment advisory company that is the effective beneficiary of the shares on behalf of its customers. ARIEL INVESTMENTS, LLC has delegated the voting rights of the majority, although not all, of these shares. ARIEL INVESTMENTS, LLC is a subsidiary of ARIEL CAPITAL MANAGEMENT HOLDINGS, INC., which does not give it direct or indirect instructions on how to exercise these voting rights.

##### Note to section C.1.3

At the time of the appointment of the directors, the shareholder Araltec Corporación, S.L. was known as Araltec, S.L. In addition, the request to appoint proprietary directors was made jointly by Araltec, S.L. and Aragonesas Promoción de Obras y Construcciones, S.L.

##### Note to section C.1.31

The shareholders at the Company's Annual General Meeting held on 29/06/2017 approved the appointment of Deloitte, S.L. as the financial auditor of the Company and its consolidated group for 2017, 2018 and 2019, and the re-election of PriceWaterhouseCoopers ("PWC") as the auditors of the Company and its consolidated group for 2017 (re-election of PWC was also agreed by the shareholders at the Annual General Meeting of 27/06/2018 for 2018), within a joint audit system.

##### Note to section C.1.34

The shareholders at the Company's Annual General Meeting held on 29/06/2017 approved the appointment of Deloitte, S.L. as the financial auditor of the Company and its consolidated group for 2017, 2018 and 2019, and the re-election of PriceWaterhouseCoopers ("PWC") as the auditors of the Company and its consolidated group for 2017, within a joint audit system. PWC has audited the Company and its consolidated group for 30 and 17 consecutive years, respectively. Accordingly, 2017 was the first year the Company was audited by Deloitte, S.L. (2018 was the second year audited by Deloitte, S.L.). The percentage of years is calculated from the year the Company's was listed on the Stock Exchange (2006) and not since its date of incorporation (06/07/1960).

##### Note to section C.2.1

Continuation of the functions of the Company's Audit and Control Committee

- Any other reporting or proposal function that may be entrusted to the Board in general or in particular, or that is established by current legislation any given

time.

- Inform the Board, prior to taking the corresponding decisions, of all matters envisaged by law, the Articles of Association and the Board Regulations, and, in particular, on: a) the financial information that the Company must publish on a regular basis; b) the creation or acquisition of investments in special-purpose vehicles or entities residing in countries or territories considered to be tax havens; and c) related party transactions.

The Committee will also draft an annual report on its operations, highlighting the main incidents, if any, that arose in relation to its functions. In addition, when considered appropriate by the Committee, this report will include proposals to improve the Company's governance rules. The Committee's report will be available to shareholders and investors on its website.

The Committee will meet regularly, on a quarterly basis, to review the periodic financial information that must be sent to the stock market authorities, as well as the information that the Board has to approve and include as part of its annual public documents. The Committee will also meet when called by its Chairman, which must call a meeting whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, at the request of any of its members or whenever considered appropriate for the successful performance of its functions.

Members of the management team or personnel of the Company and its Group will be required to attend Committee meetings and to collaborate and provide access to any information they may have when requested by the Committee. The Committee may also require the attendance of the Company's auditors at its sessions.

To better carry out its functions, the Audit and Control Committee may obtain advice from an external experts, when considered necessary to adequately fulfil its duties.

The Committee's most significant activities carried out in 2018 were as follows:

- It proposed to the Board, to be submitted at the General Meeting, the appointment of Deloitte, S.L. as the external auditor of the Company and its consolidated group along with PricewaterhouseCoopers, S.L.
- It approved the 2017 Annual Internal Audit Report, the 2018 Internal Audit Plan and analysed the Multi-Annual Internal Audit Plan for 2018-2010.
- It developed and approved the Annual Work Plan for the Audit and Control Committee for 2019.
- It reviewed the prepayments associated with contractual changes and analysed the economic solvency of suppliers and providers.
- Monitoring the Tax Risk Manual.
- It supervised the adequacy of the internal control system to ensure that the transactions appropriately reflect the Group's financial information reviewed by the external auditors. It also supervised the effectiveness of the system of internal control over financial reporting (ICFR) and, in particular, the review of information flow in financial reporting.
- It assessed the implementation of the General Data Protection Regulation (2016/679) of the European Parliament.
- It monitored the tax audit and tax proceedings.
- It reviewed the revenue associated with change orders and claims (including aspects such as the analysis of change orders in progress, approval of the technical request for the change order by the customer, analysis of the costs associated with the change orders and claims being negotiated, the history of success in negotiations, analysis of explanatory memorandums from project management and approval by project and corporate management of the revenue from change orders).
- It analysed the procedures for analysing the financial solvency of suppliers and providers.
- It reviewed the financial statements, the annual and half-yearly financial reports for approval by the Board of Directors and subsequent issue to the CNMV, as well as other periodic public information.
- It received written confirmation from Deloitte and PWC of their independence, as well as information on the various audit services that were provided to the Company and its Group in 2018.
- It monitored the new regulatory developments that will enter into force in 2019, paying special attention to Law 11/2018, of 28 December.
- It supervised the following on a regular basis: (i) financial risk and internal control processes; (ii) the cash flows and mechanisms for obtaining liquidity; (iii) the country/customer risk of the projects in the Company's portfolio, including monitoring foreign currency exchange rates that may affect Company; (iv) developments in the Company's tax audits and administrative and/or tax proceedings, a task for which the Company has engaged the assistance of Pérez Llorca, an independent expert that gave a presentation in this regard; (v) the court and arbitration proceedings in progress, both administrative and operational; and (vi) those factors that, if applicable, may have affected the independence of the external auditors.
- In particular, it focused on supervising certain matters, ascertaining and gathering timely information on certain key economic areas, including the following:
  - Tax policies.
  - Financial risk management.
  - Audit of subsidiaries.
  - Analysis of the OECD's Base Erosion and Profit Shifting (BEPS) system.
  - Internal tax risk management procedures.
  - Presentation of the Regulatory Compliance area and the various policies of the Regulatory Compliance area (Conflict of Interest Policy; Management Policy and Procedure for Workplace Harassment and Sexual Harassment; Anti-corruption Policy; and Competition Policy).
  - Policy for approving non-audit services provided by the auditor, which determines the services permitted and prohibited, the authorisation system and the limit on fees to be received by the external auditor.

Note to section D.6

Continuation of the response.

Likewise, persons subject to these provisions must notify the Chairman of potential conflicts of interest in which they are involved as a result of their activities outside the Company, their family relationships, their personal assets, or for any other reason, with (i) the Company or any of the Técnicas Reunidas Group companies; (ii) suppliers or significant customers of the Company or any of the Técnicas Reunidas Group companies; or (iii) entities that engage in the same type of business or are competitors of the Company or any of the Técnicas Reunidas Group companies. Any doubts regarding potential conflicts of interest must be discussed with the Chairman.

As indicated in section D.1 above, section 35 ("Transactions with significant shareholders") of the Board Regulations stipulates that any transaction carried out by the Company with directors and significant shareholders will be subject to authorisation by the Board of Directors, following a report from the Audit and Control Committee. The Board of Directors, prior to authorising the execution of these types of transactions by the Company, will also assess the transaction from the perspective of equal treatment of shareholders and market conditions.

The Company's Code of Conduct also includes the principles and rules aimed at all persons to which it is applicable: Board members, of the Audit and Control Committee, of the Appointments and Remuneration Committee and the other control bodies of Técnicas Reunidas or any other company that belongs to the Técnicas Reunidas Group at a national or international level, as well as executives, employees and collaborators related to the Group, regardless of the position they hold or the location where they carry out their work.

In this regard, section 4.1.1 of the Code of Conduct approved by the Company stipulates that those persons of the Técnicas Reunidas Group that are subject to the Code must act with loyalty in carrying out their duties and endeavour to defend the Group's interests. Similarly, they must avoid any situations where the affected party has or appears to have a conflict of interests. These conflicts of interest must be reported to the Head of Compliance.

Note to section E.1

– Risks arising from economic variables.

Certain economic circumstances (changes in exchange rates, interest rates, availability of financing, taxes, etc.) can have an impact on TR's business activities and profits.

Periods of volatility in the economic variables as a result of geopolitical tensions. Management and control systems:

- Continuous monitoring of the risks associated with currencies and the contracting of exchange hedges.
- Management of a sound balance sheet and availability of adequate lines of financing.
- Mitigation of the risk of customer liquidity problems by actively participating in the process of obtaining financing through banks that support the operations in which TR participates, as well as through the use of export insurance.

– Risks arising from information technologies.

As the Group's digital presence has increased, the risk of intrusions into its systems by cybercriminals has increased. Management and control systems:

- Information Security Management System certified in accordance with ISO 27001:2015.
- Employee training on cybersecurity matters.
- An Information Security Committee was created to analyse the implementation of the strategic cybersecurity plan, the results of the audits and the main risks faced and measured applied.

– Risks arising from 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.

Management and control systems:

- 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.

– Risks arising from integrity and reputation.

Improper or irresponsible behaviour by employees or other third parties with which the Group collaborates (suppliers and subcontractors) can negatively affect the reputation and results obtained by Técnicas Reunidas.

Management and control systems:

- Internal regulations and training to guarantee the proper behaviour of professionals and the availability of a Code of Conduct and a Whistleblowing Channel.
- Demanding minimum requirements from suppliers and subcontractors regarding the environment, human rights, health and safety.
- Risks arising from quality in execution.

Quality in the execution of the work ensures not only the successful completion of the project, but also obtaining projects of a similar nature or with the same customer.

Management and control systems:

- Mechanisms for monitoring quality in all stages of the projects.
- Creation of databases recording the Group's know-how and best practices.
- Quality Department responsible for drawing up procedures.

Note to section G.40

The Company will have an internal audit function, under the supervision of the Audit and Control Committee, to ensure the proper operation of internal control and reporting systems. Since 2008, the Company has had an internal auditor who is considered a senior executive and who continues exercising these functions at the Company.

Note to section G.55

The Company has been a signatory of the corporate social responsibility Global Compact since November 2011 and has renewed its commitment to adhere to these principles each year since then. The Company's most noteworthy actions regarding corporate social responsibility include drawing up the 2017 Integrated Report in accordance with GRI methodology, which was subject to independent limited assurance of the CSR indicators by PriceWaterhouseCoopers Auditores, S.L.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting held on:

27/02/2019

Indicate whether any directors voted against or abstained from voting on the approval of this Report.

Yes  
 No

**TÉCNICAS  
REUNIDAS, S.A.**

Report about Information associated  
with system of Internal Control over  
the Financial Reporting (ICFR)  
for the year 2018

*Translation of a report originally issued in Spanish based on our work performed in accordance with the agreed upon procedures regulation in force in Spain. In the event of a discrepancy, the Spanish-language version prevails*

## **REPORT ABOUT "INFORMATION ASSOCIATED WITH SYSTEM OF INTERNAL CONTROL OVER THE FINANCIAL REPORTING (ICFR)" OF TÉCNICAS REUNIDAS, S.A. FOR THE YEAR 2018**

To the Board of Directors of Técnicas Reunidas, S.A.

As requested by the Board of Directors of Técnicas Reunidas, S.A.. ("the Entity") and in accordance with our proposal-letter for the work dated 11 March 2019, we have applied certain procedures to the accompanying "Information relating to the ICFR" which is disclosed on the Annual Corporate Governance Report (ACGR) of Técnicas Reunidas, S.A. for 2018, which summarises the internal control procedures of the Entity in relation to its annual financial reporting.

The Board of Directors is responsible for adopting the appropriate measures in order to reasonably guarantee the implementation, maintenance and supervision of an adequate internal control system and for making improvements to that system and for preparing and establishing the content of the accompanying Information relating to the ICFR.

It should be noted in this regard, irrespective of the quality of the design and operatively of the internal control system adopted by the Entity in relation to its annual financial reporting, the system can only permit reasonable, but not absolute, assurance in connection with the objectives pursued, due to the limitations inherent to any internal control system.

In the course of our audit work on the financial statements and pursuant to Technical Auditing Standards, the sole purpose of our assessment of the internal control of the Entity was to enable us to establish the scope, nature and timing of the audit procedures to be applied to the Entity's financial statements. Therefore, our assessment of internal control performed for the purposes of the aforementioned audit of financial statements, was not sufficiently extensive to enable us to express a specific opinion on the effectiveness of the internal control over the regulated annual financial reporting.

For the purpose of issuing this report, we applied exclusively the specific procedures described below and indicated in the *Guidelines on the Auditors' Report relating to Information on the Internal Control over Financial Reporting in Listed Companies*, published by the Spanish National Securities Market Commission (CNMV) on its website, which establishes the work to be performed, the minimum scope thereof and the content of this report. Since the work resulting from such procedures has, in any case a reduced scope that its significantly less extensive than that of an audit or a review of the internal control system, we do not express an opinion on the effectiveness thereof, or on its design or operating effectiveness, in relation to the Entity's annual financial reporting for 2018 described in the ICFR. Therefore, had procedures additional to those provided for in the aforementioned Guidelines been applied or an audit or a review of the internal control over the regulated annual financial reporting been performed, other matters or aspects might have been disclosed which would have been reported to you.

Also, since this special engagement does not constitute an audit of financial statements and is not subject to the Spanish Audit Law (Law 22/2015, of 20 July 2015), we do not express an audit opinion in the terms provided for in that Law.

The procedures applied were as follows:

1. Reading and understanding of the information prepared by the Entity in relation to the ICFR - disclosure information included in the Directors' Report- and assessment of whether this information addresses all the required information in accordance with the minimum content described in section F, relating to the description of the ICFR provided of the ACGR form included in the Circular of the CNMV 5/2013 dated 12 June 2013 modified by the Circular of the CNMV 7/2015 dated 22 December 2015 and the Circular 2/2018 dated 12 June 2018 of the CNMV (hereafter, Circulars of the CNMV).

2. Inquiries of personnel in charge of preparing the information detailed in point 1 above:
  - (i) Familiarisation with the preparation process;
  - (ii) Obtainment of the information required in order to assess whether the terminology used is adapted to the definitions provided in the reference framework;
  - (iii) Obtainment of information on whether the aforementioned control procedures have been implemented and are in use at the Entity.
3. Review of the explanatory supporting documentation for the information detailed in point 1 above, including the documentation furnished directly to the personnel in charge of preparing the ICFR descriptive information. In this respect, the aforementioned documentation reviewed comprise related reports prepared by the Internal Audit Department, senior executives or other internal or external experts providing support functions to the Audit Committee.
4. Comparison of the information detailed in point 1 above with the knowledge on the Entity's ICFR obtained as a result of the application of the external audit procedures carried out as part of the audit of its financial statements.
5. Reading of minutes of meetings of the Board of Directors, the Audit Committee and of other Entity committees in order to assess the consistency between the ICFR issues addressed therein and the information detailed in point 1 above.
6. Obtainment of the representation letter concerning the duly performed work, signed by the personnel in charge of the preparation of the information detailed in point 1 above.

The procedures applied to the Information relating to the ICFR did not disclose any inconsistencies or incidents that might affect the Information.

This report has been prepared exclusively in the framework of the requirements of article 540 of the consolidated text of the Companies Act and the Circulars of the CNMV for the purposes of the ICFR description in Annual Corporate Governance Report.

DELOITTE, S.L.



F. Javier Peris Álvarez

5 June 2019