



ANNUAL REPORT ON THE
REMUNERATION OF THE DIRECTORS OF LISTED PUBLIC

ISSUER IDENTIFICATION

Year-end date:

[31/12/2018]

Tax Id. Number:

[A-28092583]

Company name:

[**TECNICAS REUNIDAS, S.A.**]

Registered Office:

[ARAPILES, 13 MADRID]

A. REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT FISCAL YEAR

- A.1.** Explain the current director remuneration policy applicable to the fiscal year in progress. To the extent that it is relevant, certain information may be included in relation to the remuneration policy approved by the General Shareholders' Meeting, provided that these references are clear, specific and concrete.

Describe the specific determinations for the year in progress, both in terms of the remuneration of directors in their capacity as such and for their performance of senior management duties, established by the Board pursuant to the contracts signed with executive directors and the remuneration policy approved at the General Shareholders' Meeting.

In all cases, the following aspects should be reported:

- Description of the procedures and company bodies involved in determining and approving the remuneration policy and its terms and conditions.
- State and, where applicable, explain whether comparable companies have been taken into account in order to establish the company's remuneration policy.
- Information on whether any external advisors took part in this process and, if so, their identity.

In accordance with the provisions of the applicable legislation and the Company's corporate regulations, the General Shareholders' Meeting is the competent body responsible for approving the Company's remuneration policy, subject to approval by the Appointments and Remuneration Committee and at the proposal of the Board of Directors. Once the remuneration policy and the maximum amount of annual remuneration is approved at the General Shareholders' Meeting, the distribution between each of the directors will then be agreed by the Board of Directors.

In particular, one of the duties assigned to the Appointments and Remuneration Committee under Article 30 of the Articles of Association is "Proposing to the Board of Directors the remuneration policy for the directors and general managers or anyone in senior management who reports directly to the Board, the Executive Committee or the Chief Executive Officer(s), as well as individual remuneration and the remaining contractual conditions of the executive directors, ensuring that these are met".

In this connection, the Appointments and Remuneration Committee is the body that assists the Board of Directors concerning matters of remuneration, playing a central role in drafting the director remuneration policy, providing internal assistance and proposal procedures, so as to ensure alignment with corporate governance best practices and with regulations in force.

In compliance with Article 14.2 of the Company's Board of Directors Regulations, the Appointments and Remuneration Committee reports to the Board on the proposed remuneration schemes and annual amounts of remuneration for directors and senior executives, for the Board's approval.

In accordance with the foregoing, and subject to a favourable report from the Appointments and Remuneration Committee, in the first few months of 2019 the Board of Directors will propose a new Director Remuneration Policy for the Company for the years 2019 to 2021, to be submitted to the next General Shareholders' Meeting for approval. If approved by the shareholders, the basic principles of the Remuneration Policy will include the following:

- Being aimed at fostering the Company's profitability and sustainability so as to avoid undertaking excessive risk and rewarding unfavourable results.
- Rewarding each director's dedication, competence and assumption of responsibilities, without compromising their independence of judgement under any circumstance.
- Aligning director remuneration with the strategies of Técnicas Reunidas and with the interests of the Company and its shareholders.
- Enforcing the principle of transparency in all items of director remuneration.

As in the previous policy, in designing and preparing the new policy the Company takes into account the director remuneration policies of its main international competitors and the situation of the other companies listed on Spain's Ibex 35. Furthermore, in preparing the new Director Remuneration Policy, the Company was assisted by Ernst & Young as an external adviser.

- The relative importance of items of fixed and variable remuneration (remuneration mix) and the criteria and objectives taken into account in their determination and in ensuring an appropriate balance between fixed and variable remuneration components. In particular, state the actions taken by the company in relation to the remuneration scheme in order to reduce exposure to excessive risks and adapt it to the company's long-term objectives, values and interests. This includes, where applicable, reference to measures to ensure that the company's long-term results are taken into account in the remuneration policy, measures taken in relation to any categories of personnel whose professional activities have a material impact on the company's risk profile and measures to prevent any conflicts of interest.

Furthermore, state whether the company has established any period for the accrual or vesting of certain variable remuneration items, in cash, shares or other financial instruments, any deferral period in the payment of amounts or the handover of accrued and vested financial instruments, or if any clause has been agreed to reduce the deferred remuneration or that obliges the director to return remuneration received, when such remuneration has been based on data that have proved to be manifestly inaccurate.

Variable remuneration is limited to the executive directors and is supplementary to their fixed remuneration. The amount is determined at fiscal year end, up to a maximum of 550 thousand euros.

With regard to the remuneration mix, the Company offers its executive directors (i) a fixed component; (ii) variable remuneration; (iii) benefits schemes; and (iv) other conditions as established in the contracts of persons discharging senior management duties as executive directors. The Company has not granted any share options.

Remuneration is reasonably in proportion to the Company's importance, current economic situation and market standards at comparable companies. Moreover, the Company's remuneration policy is aimed at fostering its profitability and sustainability, including the necessary precautions so as to avoid undertaking excessive risk and rewarding unfavourable results.

With regard to the relationship between fixed and variable items of remuneration, the Chairperson receives fixed remuneration of 850 thousand euros and the 1st Deputy Chairperson of 800 thousand euros, plus 90 thousand euros in 2019 for belonging to the Board of Directors and to cover expenses of attending Board meetings (unchanged from 2018), and a maximum amount of variable remuneration (550 thousand euros), which, respectively, represent 36.91% and 38.19% of their total remuneration.

Payment of variable remuneration is deferred and is only effected after the end of the year, so that the Company can conduct the assessment and verify compliance with the relevant parameters.

In this connection, the Appointments and Remuneration Committee, when assessing the degree of fulfilment of the quantitative goals set and determining on that basis the applicable variable remuneration, will remove all economic effects, whether positive or negative, deriving from extraordinary events that might distort the results of the assessment, in order to ensure that the annual variable remuneration is effectively consistent with the beneficiaries' performance over the course of the year.

As previously indicated, on the date of approving this document, the Company is in the process of devising the 2019-2021 Director Remuneration Policy, which will be submitted for approval at the Ordinary General Shareholders' Meeting of 2019, and which, with regard to variable remuneration, will introduce the parameters stated in Section A.1. point 6 so as to follow market developments in this area.

- Amount and nature of fixed components that are due to be accrued during the year by directors in their capacity as such.

The Company's shareholders will be asked to approve total remuneration to members of the Board of Directors and its committees for the current year 2019 of 6,000,000 euros for the overall performance of their duties as directors, at the next General Shareholders' Meeting, likely to be held in June.

This amount must be approved by shareholders as stipulated in the Company's Articles of Association and will be distributed among the members of the Board of Directors by the Board, considering directors' membership of committees, their positions, their dedication to serving the Company and any other objective circumstances the Board may decide to take into account.

The Board of Directors is expected to approve the following total maximum amounts for the various members of the Board of Directors, Audit and Control Committee, Appointments and Remuneration Committee and Risk and Treasury Committee:

Fixed allocation:

- Membership of the Board of Directors. 55,478 euros a year.
- Serving as Chairperson of the Audit and Control Committee, the Appointments and Remuneration Committee or the Internal Risk and Treasury Committee: 15,384 euros a year.

Per diem expenses

- Per diems for attending Board meetings: €3,500.
- Per diems for attending Audit and Control Committee meetings: €3,500.
- Per diems for attending Appointments and Remuneration Committee meetings: €5,000.
- Per diems for attending Internal Treasury and Risk Committee meetings: 6,000 euros per quarter.

The annual fixed allocation applicable to Adrián Lajous Vargas for membership of the Board of Directors is currently estimated at 200,000 euros. The difference in the allocation for Adrian Lajous Vargas is justified by objective circumstances linked to the specific contributions that Adrian Lajous Vargas may make to the Board's inherent functions, by reason of his professional qualifications and experience. In this regard, as evidenced by Mr. Lajous Vargas' curriculum vitae, which is available on the Company's website, the special circumstance of his residence in Mexico and his unique qualifications and personal experience in the energy sector's international sphere, particularly in Latin America, provide extraordinary added value to his inclusion in the Company's Board of Directors. His vision as a director is therefore considered highly valuable, not only with respect to the functions of the Board in general, but particularly in relation to the Company's strategic direction, given his international experience.

- The amount and nature of the fixed components that will be accrued during the fiscal year by executive directors for the performance of senior management functions.

The fixed remuneration currently estimated for performance of senior management duties by the executive directors amounts to 850,000 euros in the case of the Chairperson and 800,000 euros in the case of the 1st Deputy Chairperson, which should not be subject to any significant changes on approval of the new Directors' Remuneration Policy with respect to the fixed remuneration for executive directors for the fiscal year 2019.

- The amount and nature of any component of remuneration in kind that will be accrued during the fiscal year including, but not limited to, insurance premiums paid for directors.

Remuneration in kind is available exclusively to executive directors, and is of minor significance, given that it is limited to life and accident insurance premiums and contributions to the Chairperson's private pension scheme, as part of the Company's general salary and social benefits scheme. The sum of all these items amounted to 40,477.88 euros in 2018 and a similar amount is forecast for 2019.

- The amount and nature of the variable components, distinguishing between short- and long- term components. The financial and non-financial parameters, including social, environmental and climate change-related parameters, selected to determine the variable remuneration during the current fiscal year, explaining the extent to which these parameters are related to the performance of both the director and the entity, as well as the corresponding risk profile, and the methodology, required time frame and mechanisms for determining, at fiscal year end, the degree of compliance with the parameters used in the variable remuneration model.

Indicate the range in monetary terms of the different variable components based on the degree of compliance with the established objectives and parameters, and whether there are any maximum monetary limits defined in absolute terms.

The variable remuneration for executive directors is one of the aspects of the Director Remuneration Policy for 2019-2021 that will be submitted for consideration at the Company's 2019 Ordinary General Shareholders' Meeting.

Each executive director may receive variable remuneration up to a maximum of 550,000 euros, with a potential 10% adjustment to this amount, based on their performance evaluation.

Variable remuneration will be linked to the following parameters: Quantitative targets (80% of total variable remuneration):

- Awards: 30% of total variable remuneration.
- Margin (EBITDA): 30% of total variable remuneration.
- Consolidated revenue: 20 % of total variable remuneration.

Non-financial targets (HSE) (20% of total variable remuneration):

- Health and safety (10% of total variable remuneration).
- Environment (10% of total variable remuneration):

Likewise, the Company will evaluate the minimum weighted accomplishment of between 50% and 70% of all the targets.

Establishment of the targets (KPIs or indicators), adjustment of 10% by performance assessment and the amount to be received will be resolved by the Appointments and Remuneration Committee.

- The main characteristics of long-term savings schemes. This information should include contingencies covered by the scheme, whether it is a defined benefit or contribution scheme, the annual contribution that must be made to defined contribution schemes, the benefits to which recipients are entitled in the case of defined benefit schemes, the conditions governing the vesting of financial rights for directors and their compatibility with any type of compensation for early termination or removal, or arising from termination, under the established terms, of the contractual relationship between the company and the director.

It should be indicated whether the accrual or vesting of any of the long-term savings plans is linked to achieving certain objectives or parameters related to the short- or long-term performance of the director.

The Company's general social benefits system applies to executive directors, which the Company implements in the form of a contracted pension plan. Where appropriate, a supplementary contribution is paid specifically for the Chairperson or 1st Deputy Chairperson in addition to that paid by the executive director, whose amount depends on various factors, such as the employee's seniority in the Company. This is not a material sum for the Company, having amounted to 4,000 euros for the fiscal year 2018 and not expected to undergo any significant changes for the fiscal year 2019.

- Any type of payment or severance pay for early termination or dismissal of the director, or deriving from the termination of the contractual relation, on the terms provided between the company and the director, whether voluntary resignation by the director or dismissal of the director by the company, as well as any type of agreement reached, such as exclusivity, post-contractual non-compete agreements, length of service and loyalty agreements, which entitle the director to any type of remuneration.

Executive directors' contracts are currently of indefinite duration and provide for financial compensation in the event of their termination by the Company for reasons not related to breach of obligations. This payment is equivalent to 24 monthly payments of the current fixed remuneration received at the time of the expiry of their employment contract (and as compensation for the non-compete agreement stipulated in this contract for a period of two years), as well as an amount equivalent to the last two yearly payments of the variable component and an amount corresponding to two yearly payments for the Social Security Special Agreement in cases where the executive director has subscribed to this.

The Company is currently in the process of drawing up a new Directors' Remuneration Policy for fiscal years 2019, 2020 and 2021, which will be submitted for approval at the General Shareholders' Meeting to be held in June 2019. Approval of the new Directors' Remuneration Policy is not expected to introduce any significant changes with respect to these items.

- State the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Include information regarding duration, limits on severance payment amounts, length of service clauses, prior notice periods and payment in lieu of prior notice, and any other clauses relating to hiring bonuses, as well as benefits or golden parachutes due to early termination or cancellation of the contractual relationship between the company and the executive director. Include non-compete agreements, exclusivity agreements, length of service and loyalty agreements, as well as post-contractual non-compete agreements, unless these have been explained in the section above.

The terms which must be included in executive directors' contracts are currently as follows (although these may be changed, as necessary, following approval of the Directors' Remuneration Policy for 2019-2021):

- (i) Indefinite duration. The contracts of executive directors performing senior-management duties will be of indefinite duration.
- (ii) (i) Compensation for early termination in the amount equivalent to the last two yearly payments of (a) fixed remuneration, (b) variable remuneration and (c) an amount corresponding to two yearly payments for the Social Security Special Agreement in cases where the executive director has subscribed to this.
- (iii) Non-compete clause. Contracts may prohibit executive directors from performing management or administrative functions in companies or entities pursuing activities that are identical, analogous or complementary to the Company's and/or providing professional services to these companies or entities, unless expressly authorised by the Company, with the exception of positions held in companies that are part of the Company's group.

Financial compensation for this non-compete agreement may be included in the compensation for termination of the contract described in paragraph (ii) above.

- (iv) Confidentiality clause. Directors performing senior-management duties must ensure that any information, data, reports or background knowledge that they acquire in the performance of their duties is kept confidential, and this confidentiality must be maintained even when they no longer serve on the Board.

Likewise, there is a three-month notice period both for executive directors in the case of their resignation or withdrawal, and for the Company in the case of its terminating an executive director's contract without justified grounds.

The Company is currently in the process of drawing up a new Directors' Remuneration Policy for fiscal years 2019, 2020 and 2021, which will be submitted for approval at the General Shareholders' Meeting to be held in June 2019. Approval of the new Directors' Remuneration Policy is not expected to introduce any significant changes with respect to these items.

- The nature and estimated amount of any other supplementary remuneration that will be accrued by directors during the current fiscal year in compensation for services outside the scope of the usual functions of a director.

At the time of issuing this report, no supplementary remuneration is expected to be accrued by the directors as compensation for services outside the scope of the usual functions of a director, other than that corresponding to the consultancy contract between William Blaine Richardson and the Company, whereby he received the amount of 307,600.64 euros for the fiscal year 2018 and with respect to which no significant change is expected for the fiscal year 2019.

- Other items of remuneration including any derived from the company granting directors advance payments, loans, guarantees or other remuneration.

At the date of this report, no remuneration has been provided to directors by way of loans, advance payments, guarantees or similar.

- The nature and estimated amount of any other supplementary remuneration expected to be accrued by directors during the current fiscal year and which is not included in the sections above, whether paid by the entity or another entity within the group.

There is no supplementary remuneration other than that included in the sections above.

A.2. Explain any significant change in the remuneration policy applicable to the current fiscal year as a result of:

- A new policy or a change to a policy already approved by the Board.
- Significant changes in the specific stipulations for the current remuneration policy established by the Board for the fiscal year in progress, with respect to those applied during the previous fiscal year.
- Any proposals that the Board of Directors has agreed to submit to the General Shareholders' Meeting at which this annual report will be submitted that are applicable to the current fiscal year.

As noted above, the Company's Board of Directors intends to submit a new Director Remuneration Policy for the fiscal years 2019, 2020 and 2021 for consideration at the 2019 Ordinary General Shareholders' Meeting. This policy is currently under internal development and has not yet been approved by the Company's corporate bodies.

A.3. Provide a direct link to the document which includes the company's current remuneration policy, which should be available on the company's website.

https://www.tecnicasreunidas.es/wp-content/uploads/2019/02/TR_JG16-Política-de-remuneración-de-los-consejeros.pdf

A.4. Taking into account the data provided in Section B.4, explain the outcome of the shareholders' advisory vote at the company's annual general meeting on the annual report on remuneration for the previous fiscal year.

As shown in Section B.4, the advisory vote at the Company's Annual General Meeting on the Annual Report on Remuneration for the previous year resulted in only 0.08% votes against and 0.03% abstentions. It is therefore assumed that the large majority of the Company's shareholders approve the directors' remuneration scheme implemented by Técnicas Reunidas and, in the same vein, it is expected that the new Director Remuneration Policy, to be submitted for approval at the Company's next General Meeting, will generally follow the same principles applied to the Director Remuneration Policy which is valid until 31/12/2018.

B. OVERVIEW OF THE APPLICATION OF THE REMUNERATION POLICY DURING THE LAST FISCAL YEAR

B.1. Explain the process used to implement the remuneration policy and to determine the individual remuneration detailed in Section C of this report. This information should include the role of the remuneration committee, the decisions taken by the Board of Directors and, where applicable, the identity and role of any external consultants whose services have been used in the process of implementing the remuneration policy during the last fiscal year.

Within the framework of functions assigned to it by both the Articles of Association and the Regulations of the Board of Directors, the Company's Appointments and Remuneration Committee is the body responsible for assisting the Board of Directors in matters of remuneration. Specifically, in compliance with Article 14.2 of the Company's Board of Directors Regulations, the Appointments and Remuneration Committee reports to the Board concerning the proposed systems and annual amounts of remuneration of directors and senior executives, for the Board's approval.

During fiscal year 2018, the Appointments and Remuneration Committee met on several occasions to discuss matters related to the directors' remuneration. In particular, at its meeting on 14 February 2019, the Appointments and Remuneration Committee assessed the degree of fulfilment of the conditions for variable remuneration for executive directors. At its meeting on 23 May 2018, it proposed submitting a motion for approval at the Ordinary General Shareholders' Meeting to maintain the 6,000,000 euros maximum total amount of annual remuneration to be distributed between the Company directors and also proposed the distribution criteria for the fiscal year 2018.

Pursuant to Article 22 of the Articles of Association and Article 25 of the Regulations of the Board of Directors, the Company's Board of Directors is expressly assigned the responsibility for determining the form and time of payment for each fiscal year and establishing the distribution between its members of the total amount corresponding to the statutory remuneration provided for in the Articles of Association.

Within the framework of these powers and, where appropriate, following the proposals or recommendations of the Appointments and Remuneration Committee, Técnicas Reunidas' Board of Directors agreed on 23 May 2018 to propose to the General Shareholders' Meeting that the maximum total amount of annual remuneration to be distributed between the Company directors be set at 6,000,000 euros and agreed on 27 June 2018 to approve the distribution criteria for the fiscal year 2018.

The Company secured the services of Ernst & Young to undertake a comparative study of market practices among comparable companies in relation to the variable components of directors' remuneration.

B.2. Explain the different actions taken by the company in relation to the remuneration scheme and how these have contributed to reducing exposure to excessive risks and adapting the scheme to the company's long-term objectives, values and interests. This includes, where applicable, reference to measures taken to ensure that the company's long-term results are taken into account in the remuneration accrued and that an appropriate balance is reached between the variable and fixed remuneration components, measures taken in relation to any categories of personnel whose professional activities have a material impact on the company's risk profile and measures to prevent any conflicts of interest.

During the process of drawing up and approving the remuneration schemes for directors, the Company introduced measures to control the risks associated with its activities and to adapt these schemes to the Company's long-term objectives, values and interests. The Appointments and Remuneration Committee is responsible for the supervision and ongoing review of the remuneration policy for directors, since it is responsible for reporting on the schemes and the amount of annual remuneration for directors and senior management and for compiling the information to be included in the annual public report on directors' remuneration.

At the same time, the Board of Directors is responsible for approving the Company's general strategies and policies and for certain operational decisions, such as the remuneration policy, directors' remuneration and, in the case of executives, additional remuneration for their executive duties and the approval of their contracts and the risk management policy.

As a result of the above, the Company's remuneration schemes for directors are necessarily designed to include measures to control risks, given that (i) directors' remuneration is limited to a fixed annual allocation and to expenses for attending meetings of the Board of Directors and the various committees, whose annual maximum amount is approved at the Annual General Meeting; (ii) variable components of remuneration are restricted to executive directors; and (iii) the Company's current shareholding structure ensures that the interests of the Company and of the executive directors are aligned.

In addition to the above, the annual variable remuneration diversifies the remuneration package for the Chairperson and the 1st Deputy Chairperson through the inclusion of a bonus which is supplementary to the fixed remuneration, paid once the fiscal year has ended. The Company considers that this measure ensures a balance between the different forms of remuneration and, at the same time, covers the elements essential to the Company's achievement of its long-term objectives, given that many of its projects have a multi-year implementation period.

With regard to potential conflicts of interest, the Regulations of the Board of Directors, the Internal Code of Conduct in Securities Markets and the Company's Code of Conduct stipulate that any conflicts of interest must be reported to the Board by the parties concerned, who will refrain from involvement in the corresponding transaction.

B.3. Explain how the remuneration accrued during the fiscal year complies with the provisions of the current remuneration policy.

Likewise, provide information on the relationship between the remuneration received by directors and the company's results or other long- and short-term measures of performance, explaining, where applicable, how any fluctuations in the company's performance have impacted on directors' remuneration, including any remuneration due which has been deferred and how this contributes to the company's short- and long- term results.

The remuneration accrued by Company directors during 2018 complies in all aspects with the current remuneration policy.

In respect of the variable remuneration for executive directors, at its meeting on 26 February 2019, the Appointments and Remuneration Committee assessed the degree of fulfilment of the conditions for variable remuneration for executive directors included in the Company's 2016-2018 Remuneration Policy. The fundamental criterion in this assessment is the evaluation of the Company's performance, taking into account the following aspects:

- Portfolio - considering the balance of the portfolio at fiscal year end.
- Shareholder remuneration - considering the annual dividend distributed.
- Annual contracting - considering the Company's annual contracting volume.
- Revenue - considering total revenue for the fiscal year.
- Profit - considering profit for the fiscal year.
- Results of the performance evaluation on the executive director.

Following the application of the above criteria, and the weighting of the information received, the Appointments and Remuneration Committee unanimously determined that the criteria had been met to a degree of 60% and, therefore, the payment to the executive directors, José Lladó Fernández Urrutia and Juan Lladó Arburúa, of 60% of the variable remuneration, amounting to 330,000 euros for each, is in accordance with the provisions of the Company's Remuneration Policy.

B.4. Report on the outcome of the advisory vote at the general meeting on the annual report on remuneration for the previous fiscal year, indicating the number of votes cast against.

	Number	% of total
Votes cast	32,117,527	100.00
	Number	% of total
Votes against	24,694	0.08
Votes in favour	32,081,626	99.89
Abstentions	11,207	0.03

Comments

B.5. Explain how the fixed components accrued during the year by the directors in their capacity as such have been determined and how they have changed with respect to the previous year.

For fiscal year 2018, a maximum amount of 6,000,000 euros was approved at the Company's General Shareholders' Meeting on 27 June 2018. The Board of Directors agreed on the following distribution among the different members of the Board of Directors, the Audit and Control Committee, the Appointments and Remuneration Committee and the Risk and Treasury Committee:

- Membership of the Board of Directors. 55,478 euros a year.
- Serving as Chairperson of the Audit and Control Committee, the Appointments and Remuneration Committee or the Risk and Treasury Committee: 15,384 euros a year.
- Per diems for attending Board meetings: €3,500.
- Per diems for attending Audit and Control Committee meetings: €3,500.
- Per diems for attending Appointments and Remuneration Committee meetings: €5,000.
- Per diems for attending Treasury and Risk Committee meetings: 6,000 euros per quarter.

In addition, the annual fixed allocation applicable to Adrián Lajous Vargas for membership of the Board of Directors amounted to 200,000 euros. The difference in the annual fixed allocation for Adrián Lajous Vargas is justified by objective circumstances linked to the specific contributions that Mr. Lajous Vargas may make to the Board's inherent functions, by reason of his professional qualifications and experience. As evidenced by Mr. Lajous Vargas' curriculum vitae, which is available on the Company's website, the special circumstance of his residence in Mexico and his unique qualifications and personal experience in the energy sector's international sphere, particularly in Latin America, provide extraordinary added value to his inclusion in the Company's Board of Directors. His vision as a director is therefore considered highly valuable, not only with respect to the functions of the Board in general, but particularly in relation to the Company's strategic direction, given his international experience.

This distribution is the same as that approved by the Board of Directors for the fiscal year 2017, with the sole exception of the expenses for attending a meeting of the Risk and Treasury Committee, which amounted to 3,500 euros per session in fiscal year 2017.

- B.6.** Explain how the salaries earned for the performance of management duties during the last fiscal year were determined for each executive director, and how they have changed with respect to the previous year.

The salaries earned by each executive director during the fiscal year 2018 for the performance of management duties amount to 1,436,644.32 euros in the case of the Chairperson (850,000 euros in fixed remuneration, 550,000 euros in variable remuneration, 32,644.32 euros in life insurance contributions and 4,000 euros in contributions to the Chairperson's individual pension plan) and 1,353,833.48 euros in the case of the 1st Deputy Chairperson (800,000 euros in fixed remuneration, 550,000 euros in variable remuneration and 3,833.48 euros in life insurance contributions). These amounts correspond to the provisions of the Directors' Remuneration Policy approved at the General Shareholders' Meeting on 29 June 2016.

These salaries have not changed with respect to those earned in 2017.

- B.7.** Explain the nature and the main characteristics of the variable components of the remuneration schemes for the last fiscal year.

In particular:

- Identify each of the remuneration plans determining the different items of variable remuneration accrued by each director during the last fiscal year, including information on their scope, date of approval, date of implementation, accrual periods and validity, criteria used for the performance evaluation and how this has impacted on the determination of the variable amount accrued, as well as the measurement criteria used and the time frame required to ensure that all the stipulated conditions and criteria can be adequately measured.

In the case of share option plans or other financial instruments, the general characteristics of each plan should include information on the conditions which must be met to acquire unconditional ownership (vesting) and to be able to exercise these share options or financial instruments, including the exercise price and time frame.

- Identify each director and their category (executive director, external shareholder director, independent external director, or other external director) who is a beneficiary of remuneration schemes or plans which incorporate variable remuneration.
- Where applicable, provide information on any accrual periods or postponement of payment applied and/or any non-availability/retention periods for shares or other financial instruments.

Explain the short-term variable components of the remuneration schemes:

For 2018 there are two variable remuneration plans with similar content, applicable to the Company's Chairperson and 1st Deputy Chairperson in their capacity as executive directors. These plans were approved as part of the Company's Remuneration Policy at the Company's General Shareholders' Meeting on 29 June 2016.

The plans include an annual premium or bonus, with a maximum amount of 550,000 euros for fiscal year 2018, to be paid after fiscal year end, taking the year-end results into consideration.

The basic parameter for variable remuneration is an assessment of the Company's performance, taking into account aspects such as the Company's contracting volume during the fiscal year, the state of the order book, revenue, profits and shareholder remuneration during the fiscal year.

Specifically, the determination of variable remuneration corresponding to fiscal year 2018 took into account the following aspects:

- Portfolio - considering the balance of the portfolio at fiscal year end.

- Shareholder remuneration - considering the annual dividend distributed.
- Annual contracting - considering the Company's annual contracting volume.
- Revenue - considering total revenue for the fiscal year.
- Profit - considering profit for the fiscal year.
- Results of the performance evaluation on the executive director.

Following the application of the above criteria, and the weighting of the information received, the Appointments and Remuneration Committee unanimously determined that the criteria had been met to a degree of 60% and, therefore, the payment to the executive directors, José Lladó Fernández Urrutia and Juan Lladó Arburúa, of 60% of the variable remuneration, amounting to 330,000 euros for each, is in accordance with the provisions of the Company's Remuneration Policy.

Explain the long-term variable components of the remuneration schemes:

No long-term variable components of remuneration systems were accrued in fiscal year 2018.

B.8. Indicate whether there has been any reduction or clawback of specific variable components when, in the first case, they have vested and payment has been deferred or, in the second case, they have vested and been paid, based on data which has subsequently proven to be manifestly misstated. Describe the amounts reduced or reclaimed through the application of the reduction or clawback clauses, the reason for their application and the fiscal years to which they correspond.

The Company has not reduced or reclaimed any specific variable components during fiscal year 2018.

B.9. Explain the main characteristics of the long-term savings schemes whose amount or annual equivalent cost appears in the tables in Section C, including retirement plans and any other survivor benefits which are financed either partially or wholly by the company and whether internally or externally provided, indicating the type of plan, whether it is a defined benefit or contribution scheme, the contingencies covered, the conditions governing the vesting of financial rights for directors, and its compatibility with any type of compensation for early termination of the contractual relationship between the company and the director.

In 2018, the Company has contributed to the Chairperson's private pension scheme in the amount of 4,000 euros, as part of the Company's general salary and social benefits scheme. Since this is a private pension scheme, it is compatible with any type of compensation for early termination of the contractual relationship between the Company and the director, as applicable.

B.10. Explain, as applicable, compensation or any other type of payment resulting from early termination, whether by will of the director or the company, or termination of the contract under its corresponding terms, which has been accrued and/or received by directors during the last fiscal year.

There has been no compensation or any other type of payment of this nature accrued or received in 2018.

B.11. State whether there have been any significant changes in the contracts of executive directors performing senior management duties and, where applicable, explain the changes. In addition, explain the main conditions in any new contracts signed with executive directors during the fiscal year, unless these have already been explained in Section A.1.

The contracts of the Company's executive directors did not undergo any changes in 2018.

B.12. Explain any supplemental remuneration accrued by the directors in consideration of services provided other than those inherent in their position.

Remuneration in kind is available exclusively to executive directors and is limited to life and accident insurance premiums in the total amount of 36,477.80 euros during fiscal year 2018.

B.13. Explain any remuneration deriving from the granting of advance payments, loans and guarantees, indicating the interest rate, main characteristics, amounts repaid and obligations in the form of guarantees undertaken on their behalf.

No payments of this kind have been made.

B.14. Provide a breakdown of the remuneration in kind earned by directors during the fiscal year, with a brief explanation of the nature of the different salary components.

Remuneration in kind is available exclusively to executive directors and is limited to life and accident insurance premiums in the total amount of 36,477.80 euros during fiscal year 2018 and contributions to the Chairperson's private pension scheme in the amount of 4,000 euros during the same period, as part of the Company's general salary and social benefits scheme.

B.15. Explain the remuneration received by directors pursuant to payments made by the listed company to third-party entities at which directors render their services, when the purpose of these payments is to pay directors for services provided to the company.

No payments of this kind have been made.

B.16. Explain any other component of remuneration besides those above, regardless of its nature or the entity providing it, particularly when it involves a related-party transaction or its issuance distorts the true and fair view of the total remuneration received by the director.

The Company signed a consultancy contract with the director William Blaine Richardson, whereby he received 307,600.64 euros in 2018.

C. BREAKDOWN OF INDIVIDUAL REMUNERATION PACKAGES FOR EACH OF THE DIRECTORS

Name	Category	Period corresponding to payment FY 2018
Mr JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Executive Director	01/01/2018 to 31/12/2018
Mr. JUAN LLADÓ ARBURÚA	Executive Deputy Chairperson	01/01/2018 to 31/12/2018
Mr JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	Other External Deputy Chairperson	01/01/2018 to 31/12/2018
Mr FERNANDO DE ASÚA ÁLVAREZ	Other External Deputy Chairperson	01/01/2018 to 31/12/2018
Mr JAVIER ALARCÓ CANOSA	Independent Director	01/01/2018 to 31/12/2018
Mr ÁLVARO GARCÍA-AGULLÓ LLADÓ	Proprietary Director	01/01/2018 to 31/12/2018
Ms PETRA MATEOS-APARICIO MORALES	Independent Director	01/01/2018 to 31/12/2018
Ms JOSÉ MANUEL LLADÓ ARBURÚA	Proprietary Director	01/01/2018 to 31/12/2018
Mr JAVIER GÓMEZ-NAVARRO NAVARRETE	Other External Director	01/01/2018 to 31/12/2018
Mr PEDRO LUIS URIARTE SANTAMARINA	Independent Director	01/01/2018 to 31/12/2018
Mr WILLIAN BLAINE RICHARDSON	Other External Director	01/01/2018 to 31/12/2018
Mr ADRIÁN RENÉ LAJOUS VARGAS	Independent Director	01/01/2018 to 31/12/2018
Mr ALFREDO BONET BAIGET	Independent Director	29/06/2018 to 31/12/2018
Mr JOSÉ NIETO DE LA CIERVA	Independent Director	29/06/2018 to 31/12/2018
Mr DIEGO DEL ALCÁZAR Y SILVELA	Independent Director	01/01/2018 to 16/07/2018

C.1. Complete the following tables with respect to the individual remuneration packages for each of the directors (including remuneration for the performance of executive duties) during the fiscal year.

a) Remuneration within the company that is the subject of this report:

i) Remuneration in cash (in thousands of €)

Name	Fixed remuneration	Expenses	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefit	Other items	Total FY 2018	Total FY 2017
Mr JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	55	35		850	550			37	1,527	1,518
Mr. JUAN LLADÓ ARBURÚA	55	35		800	550			4	1,444	1,437
Mr JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	55	35	22						112	118
Mr FERNANDO DE ASÚA ÁLVAREZ	55	35	93						183	169
Mr JAVIER ALARCÓ CANOSA	55	35	41						131	112
Mr ÁLVARO GARCÍA-AGULLÓ LLADÓ	55	35	39						129	118
Ms PETRA MATEOS-APARICIO MORALES	55	35	75						165	113
Ms JOSÉ MANUEL LLADÓ ARBURÚA	55	35	72						162	114
Mr JAVIER GÓMEZ-NAVARRO NAVARRETE	55	35	25						115	108
Mr PEDRO LUIS URIARTE SANTAMARINA	55	35	86						176	159
Mr WILLIAN BLAINE RICHARDSON	55	35						308	398	389
Mr ADRIÁN RENÉ LAJOUS VARGAS	200	35							235	228
Mr ALFREDO BONET BAIGET	28	14	22						64	
Mr JOSÉ NIETO DE LA CIERVA	28	14	23						65	
Mr DIEGO DEL ALCÁZAR Y SILVELA	28	21	27						76	118

Comments

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ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of Plan	Financial instruments at the start of FY 2018		Financial instruments granted during FY 2018		Financial instruments vested in the fiscal year				Instruments matured but not called	Financial instruments at the end of FY 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

Comments

iii) Long-term savings schemes

Name	Remuneration through vesting of rights to savings schemes
No data	

Name	Contributions paid by the company for the fiscal year (thousand €)				Amount of accumulated funds (thousand €)			
	Savings schemes with vested financial rights		Savings schemes with non-vested financial rights		Savings schemes with vested financial rights		Savings schemes with non-vested financial rights	
	Financial year 2018	Financial year 2017	Financial year 2018	Financial year 2017	Financial year 2018	Financial year 2017	Financial year 2018	Financial year 2017
No data								

Comments

iv) Breakdown of other items

Name	Item	Amount of remuneration
Mr. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	Life insurance and contributions to private pension scheme	37
Mr. JUAN LLADÓ ARBURÚA	Life insurance	4
Mr WILLIAN BLAINE RICHARDSON	Consultancy contract	308

Comments

b) Remuneration for company directors for their membership of boards of other companies in the group:

i) Remuneration in cash (in thousands of €)

Name	Fixed remuneration	Expenses	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefit	Other items	Total FY 2018	Total FY 2017
Mr JOSÉ LLADÓ FERNÁNDEZ-URRUTIA										
Mr. JUAN LLADÓ ARBURÚA										
Mr JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA										

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Name	Fixed remuneration	Expenses	Remuneration for membership of Board committees	Salary	Short-term variable remuneration	Long-term variable remuneration	Termination benefit	Other items	Total FY 2018	Total FY 2017
Mr FERNANDO DE ASÚA ÁLVAREZ										
Mr JAVIER ALARCÓ CANOSA										
Mr ÁLVARO GARCÍA-AGULLÓ LLADÓ										
Ms PETRA MATEOS-APARICIO MORALES										
Ms JOSÉ MANUEL LLADÓ ARBURÚA										
Mr JAVIER GÓMEZ-NAVARRO NAVARRETE										
Mr PEDRO LUIS URIARTE SANTAMARINA										
Mr WILLIAN BLAINE RICHARDSON										
Mr ADRIÁN RENÉ LAJOUS VARGAS										
Mr ALFREDO BONET BAIGET										
Mr JOSÉ NIETO DE LA CIERVA										
Mr DIEGO DEL ALCÁZAR Y SILVELA										

Comments

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ii) Table of changes in share-based remuneration schemes and gross profit from vested shares or financial instruments.

Name	Name of Plan	Financial instruments at the start of FY 2018		Financial instruments granted during FY 2018		Financial instruments vested in the fiscal year				Instruments matured but not called	Financial instruments at the end of FY 2018	
		No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent shares	No. of instruments	No. of equivalent/vested shares	Price of vested shares	Gross profit from vested shares or financial instruments (thousand €)	No. of instruments	No. of instruments	No. of equivalent shares
No data												

Comments

iii) Long-term savings schemes

Name	Remuneration through vesting of rights to savings schemes
No data	

Name	Contributions paid by the company for the fiscal year (thousand €)				Amount of accumulated funds (thousand €)			
	Savings schemes with vested financial rights		Savings schemes with non-vested financial rights		Savings schemes with vested financial rights		Savings schemes with non-vested financial rights	
	Financial year 2018	Financial year 2017	Financial year 2018	Financial year 2017	Financial year 2018	Financial year 2017	Financial year 2018	Financial year 2017
No data								

Comments

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iv) Breakdown of other items

Name	Item	Amount of remuneration
No data		

Comments

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c) Summary of remuneration (in thousands of €):

This summary must include all the amounts corresponding to the components of remuneration included in this report which have been accrued by directors, in thousands of euros.

Name	Remuneration accrued within the Company					Remuneration accrued within companies in the group				
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration through savings schemes	Remuneration through other items	FY 2018 total for the Company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration through savings schemes	Remuneration through other items	FY 2018 total for the Group
Mr JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	1,527				1,527					
Mr. JUAN LLADÓ ARBURÚA	1,444				1,444					
Mr JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	112				112					
Mr FERNANDO DE ASÚA ÁLVAREZ	183				183					
Mr JAVIER ALARCÓ CANOSA	131				131					
Mr ÁLVARO GARCÍA-AGULLÓ LLADÓ	129				129					
Ms PETRA MATEOS-APARICIO MORALES	165				165					
Ms JOSÉ MANUEL LLADÓ ARBURÚA	162				162					
Mr JAVIER GÓMEZ-NAVARRO NAVARRETE	115				115					
Mr PEDRO LUIS URIARTE SANTAMARINA	176				176					
Mr WILLIAN BLAINE RICHARDSON	398				398					
Mr ADRIÁN RENÉ LAJOUS VARGAS	235				235					
Mr ALFREDO BONET BAIGET	64				64					
Mr JOSÉ NIETO DE LA CIERVA	65				65					

Name	Remuneration accrued within the Company					Remuneration accrued within companies in the group				
	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration through savings schemes	Remuneration through other items	FY 2018 total for the Company	Total cash remuneration	Gross profit from vested shares or financial instruments	Remuneration through savings schemes	Remuneration through other items	FY 2018 total for the Group
Mr DIEGO DEL ALCÁZAR Y SILVELA	76				76					
TOTAL	4,982				4,982					

Comments

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D. OTHER RELEVANT INFORMATION

If there are any relevant aspects of directors' remuneration which have not been included in the previous sections of this report but whose inclusion is necessary in order to provide complete and reasoned information on the company's remuneration practices and structure with regard to its directors, provide a brief outline below.

Note to section C.1.A.i) and C.1.C.

This includes expenses for attending an Internal Risk and Treasury Committee, comprising directors Petra Mateos-Aparicio Morales, Pedro Luis Uriarte Santamarina, Fernando de Asúa Alvarez, José Manuel Lladó Arburúa and other managers and/or directors of the group.

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

27/02/2019

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

Yes

No