

## CONSOLIDATED MANAGEMENT REPORT FOR 2018

### 13. Non-financial information statements

#### 13.1 Business model

##### 13.1.1 Description of the business model

The Técnicas Reunidas Group (TR) engages in the performance of all classes of engineering services and the construction of industrial plants, including viability or basic and conceptual engineering studies to turnkey engineering, design and construction of large, complex projects, the management of supply, equipment and material deliveries and the construction of plants and related or associated services, such as technical assistance, construction supervision, project management, commissioning and training.

TR with its engineering services activity, has a solid positioning in the value chain of the oil, gas, energy, fertilisers, hydrometallurgy, water and infrastructure industries.

The Company has a series of values that have been fully integrated into its business model, namely: knowledge, flexibility, innovation, credibility, customer orientation and quality. These values show TR's commitment to the development of its business activities.

##### 13.1.2 Organisation and structure

Appendices I and II contain the corporate structure of the Company.

##### 13.1.3 Business Areas

Técnicas Reunidas, as part of its engineering and construction services activities, operates in various business areas, mainly in the fields of refining, gas and energy:

**Oil and natural gas:** the Oil and Natural Gas area provides management engineering, procurement, construction and commissioning services for facilities throughout the entire oil and gas value chain. In addition, the Company has experience with its own basic designs of certain units of these facilities and projects, facilitating the verification of their functionality and operability and contributes to obtaining greater efficiency, ensuring the adaptation of new technologies to its working methods.

**Power and water:** the Power and Water area provides engineering and construction services, both at industrial power facilities, and in a variety of water management applications (including desalination plants). The Company's experience ranges from conducting feasibility or basic and conceptual engineering studies to the complete implementation of large-scale and complex turnkey projects.

**Other industries:** this division carries out several activities, including ecology, ports and coasts, hydrometallurgy and fertiliser projects. It also conducts its own developments in industrial processes and technologies for different purposes such as, fertiliser production or recovery of metals.

The diversification of business areas allows for a well-distributed project portfolio.

This commitment to segmentation and innovation has enabled the Company to implement projects of different scopes in multiple regions, including those related to conceptual studies, basic engineering, FEED, PMC, EPC or LSTK, among others.

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### 13.1.4 Business environment and markets

Técnicas Reunidas operates in a constantly changing environment, marked by rising energy demand in emerging countries, continuous adaptation to new environmental standards and the evolving needs of refineries towards more complex and more profitable configurations.

In turn, this work context is increasingly demanding, due to increasingly stricter environmental standards, the development of new technologies and a growing competition from Asia. In this regard, Técnicas Reunidas takes on increasingly complex projects, highly demanding in terms of technical specifications, deadlines, scope of work and performance conditions.

Diversification by product and geographic area allows Técnicas Reunidas to address new opportunities that may arise in connection with its activities.

In 2018, market conditions have improved compared to the previous four years. Several global investment plans have been approved, especially in gas-related investments (required by the petrochemical sector and new investments in power generation plants) and also in the refining and petrochemical sectors.

International organisations like the International Energy Agency and OPEC and relevant operators including BP and Exxon Mobil conclude that global demand and energy consumption will continue to grow in the long term, meaning that the Oil and Gas sector will continue to play a very significant role in this growth.

To supply a growing demand for energy, investments must be made in oil, gas and power generation, where Técnicas Reunidas is well-positioned and has the credentials demanded by investors and proven over nearly sixty years of worldwide experience and in particular, in regions where most of the investments are likely to be made.

### LIST OF MARKETS WHERE TÉCNICAS REUNIDAS OPERATES



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### 13.1.5 Factors and trends that may affect the Company's evolution

Apart from market developments, the Company may be affected by factors related to other areas of its business. Therefore, Técnicas Reunidas detects and analyses emerging factors that could have an impact on its management model in order to take action in this regard and adapt its business strategy.

	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
<b>TRENDS</b>	<p>Contracting and execution models that spread customer chargers (milestone billing rather than progress payments, reduction in prepayments, delays in resolving claims).</p> <p>Increased tax burden from governments to offset deficits.</p> <p>Volatility of certain currencies.</p> <p>Increased perception of risk by financial institutions with regard to the engineering sector.</p>	<p>Uncertainty regarding the evolution of oil prices, with knock-on effect for investment decisions and execution of projects.</p> <p>Habitual use by of turnkey contracts by clients, transferring greater risks to the contractor.</p> <p>Increased competition in turnkey projects.</p> <p>Increased client litigation.</p> <p>New demands from clients in the execution structure of projects (e.g.: joint ventures or revamping).</p> <p>Postponement of final stages of the project due to critical negotiations with clients and suppliers.</p>	<p>Adaptation to occupational safety requirements established by the countries where construction projects are carried out.</p> <p>Increased demand from clients regarding the qualifications and requirements of onsite personnel with health and safety responsibilities.</p> <p>Need for more practical works-oriented training programs.</p> <p>Incorporation of new technologies for improved performance and monitoring of safety and health projects.</p>	<p>Growing concern from customers regarding the environmental and social requirements of projects.</p> <p>Stricter environmental and social requirements from entities such as customers, World Bank, financial institutions or accredited certification bodies.</p> <p>Audits by financial institutions with increasingly stringent social and environmental requirements.</p>

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<p><b>HOW IS THE COMPANY PREPARED?</b></p>	<p>Increase in available lines of financing.</p> <p>Customer and supplier management (collection and payment periods, discounts, confirming).</p> <p>Development of policies for allocation of profits to the countries where they are generated (BEPs).</p> <p>Currency hedging policy by using forwards.</p> <p>Development of a highly diversified pool of banks, with greater presence of local banks.</p>	<p>Geographic and product diversification. Experience in sustainable markets.</p> <p>Closer integration with customers from the initial phase onwards.</p> <p>Capacity for managing complex projects.</p> <p>Consolidated know-how and work procedures.</p> <p>Knowledge of suppliers and collaboration with relevant suppliers and subcontractors.</p> <p>Alliances with competitors for specific projects.</p> <p>Leverage based on proprietary technologies.</p> <p>Strengthening of legal team and involvement in the various project implementation stages.</p>	<p>Implementation of a Compliance System that covers, among others, environmental, health and occupational safety risks (HSE).</p> <p>Training in international health and safety standards aimed at project managers.</p> <p>Stronger collaboration between human resources and the departments involved in the construction phases.</p> <p>Acquisition of specific software and migration of periodic reports.</p> <p>Organisation of meetings with critical suppliers to discuss safety issues.</p>	<p>Strengthening the system for evaluating the social and environmental compliance of local suppliers.</p> <p>Conducting internal audits on environmental and social matters.</p> <p>Identification and monitoring of environmental risks and opportunities</p>
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	SUPPLY CHAIN AND OUTSOURCING	INNOVATION AND NEW TECHNOLOGIES	GOVERNMENT AND CSR	HUMAN RESOURCES
<b>TRENDS</b>	<p>Increased the importance of sharing processes and management techniques in the supply chain with multicultural and sector companies.</p> <p>Decline in demand, which can reduce the capacity and quality of the supplier market and lead to a growing financial risk linked to increased non-conformities in quality and supply delays.</p> <p>Volatility of commodities and currencies.</p> <p>Selection of competitive construction and assembly companies.</p> <p>Protectionism of companies towards local staff.</p> <p>Increased supplier litigation.</p>	<p>Importance of digitisation and the use of new technologies to increase efficiency, ensure swifter customer responses and reduce costs, among other reasons.</p> <p>Focus on raw materials and especially on certain critical or strategic raw materials for relevant sectors such as telecommunications, defence and aeronautics, and energy.</p> <p>Sustainability, environmental legislation, circular economy etc. as clear business opportunities for the development of technologies related to waste management.</p> <p>Reduction of greenhouse gas emissions in accordance with regulations governing nitric acid plants (NO<sub>x</sub>, N<sub>2</sub>O).</p> <p>Improved recovery of effluents with high nitrate content in ammonium nitrate plants in order to minimise soil contamination risks.</p> <p>Establishing lines of collaboration with customers, partners, suppliers and subcontractors.</p>	<p>Increased disclosure demands for non-financial information.</p> <p>Stricter requirements from public administrations, customers and suppliers regarding regulatory compliance.</p> <p>Greater demand to publicly disclose the policies that promote diversity in corporate management bodies.</p> <p>Intensifying activity of corporate governance bodies and need to strengthen internal control and risk management systems.</p> <p>Need to ensure equitable treatment of shareholders and take the concerns of other stakeholders into consideration.</p> <p>Particular attention to CSR and sustainability-related matters.</p>	<p>Demand from customers for increasingly skilled human resources to master not only the technical aspects but also management, monitoring, safety and quality assurance skills.</p> <p>Consolidating the internationalisation of the business.</p>

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<p><b>HOW IS THE COMPANY PREPARED?</b></p>	<p>Development of technological tools for supply chain management, global and adaptable for use by other Group companies in different locations.</p> <p>Strengthened presence in the supplier's workshops.</p> <p>Strengthening synergies report with greater focus on the supplier's financial situation.</p> <p>Implementation of historic material price indicators during the tender process, together with spot market correction factor.</p> <p>Maximising the use of insurance to minimise commodities volatility.</p> <p>Directing and controlling the activities of assembly and construction subcontractors, at micro-management levels where required.</p> <p>Expanding and updating the Company's worldwide database of subcontractors.</p> <p>Conducting technical and physical analyses to ensure subcontractors' abilities to perform construction works.</p>	<p>In-house developments in all areas of activity.</p> <p>Strategy in the field of digitisation to strengthen competitiveness, adapt to customer demands and optimise processes.</p> <p>Specialists in the management of R&amp;D+i and know-how in the development areas.</p> <p>José Lladó Technology Centre with specialised skills and resources.</p> <p>Contact with suppliers of catalysts to implement treatments for minimising greenhouse gases in nitric acid plants.</p> <p>In-depth analysis of projects to plan their management throughout the implementation period.</p> <p>Introduction of virtual reality in project design and implementation.</p>	<p>Expanding CSR and sustainability actions both globally and in the projects implemented.</p> <p>Study of policies and agreements to strengthen diversity commitments.</p> <p>Strengthening the role of Board committees, mainly in non-financial reporting.</p> <p>Continuous development and adaptation of internal documents aligned with best practices of corporate governance.</p> <p>Supervision by the corporate governance bodies of tax and information security risks.</p> <p>Reinforcing communication channels with key stakeholders.</p> <p>Reporting and verifying CSR and sustainability information based on the most demanding standards.</p> <p>Development of a Criminal Compliance Management System the prevention of criminal risks.</p> <p>Adoption of new regulatory compliance policies.</p>	<p>Management training, focusing on risks and opportunities and developing skills and abilities.</p> <p>Special attention to motivation, monitoring and innovation.</p> <p>Globalisation of Human Resources management hand-in-hand with the departments concerned.</p> <p>Multi-country management: adapting internal policies to local labour and tax regulations as well as the local culture through direct management of expatriate employees from their destination countries.</p> <p>Development of tools to continuously analyse the labour market and locate availability of highly-qualified professionals.</p> <p>Establishment of internal staff rotation policy when required.</p> <p>Allocation of key personnel during the implementation phase of the project design.</p> <p>Onsite presence of design staff at works to adapt the design to specific country and customer needs.</p>
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### 13.1.6 Objectives and strategy

TR's strategy is structured around four essential pillars: methodology, diversification, quality and safety.

#### **a. Methodology**

The methodology is based on the development, systemisation and proper use of all the know-how that TR has acquired since 1960 executing projects around the world. This commitment to methodology allows the efficiency of work processes to be optimised and guaranteed. Essential components of this pillar are excellent human talent at Técnicas Reunidas, with highly qualified professionals, and innovation that forms part of TR's DNA.

#### **b. Diversification**

TR has a highly diversified portfolio of customers, products and geographical areas. In turn, the Company has customers of recognised prestige who assist in consolidating its presence in the market and their business is highly recurring.

#### **c. Quality**

TR's emphasis on the quality of all its processes (and those of its suppliers and subcontractors) guarantees the execution of every project in accordance with customer's needs and requirements.

#### **d. Safety**

TR fosters the creation of a specific corporate culture in occupational health and safety, introducing training processes for staff and encouraging their participation in prevention efforts and improving working conditions, promoting shared responsibility at various levels of the organisation.

TR's annual objectives are established at department level. This allows objectives to be adapted to the Company's strategy while at the same time including the specific needs of each areas. As a result, the objectives are defined ad hoc, which facilitates both their adaptation to each specific case and their traceability and comparability. The objectives established by Técnicas Reunidas for each area are detailed below:

<b>General Secretariat Objectives</b>	<ul style="list-style-type: none"> <li>- Adoption of a new remuneration policy for Directors.</li> <li>- Planning and developing the activities of delegated committees Board members through the Delegated Committee Regulations.</li> <li>- Adjustment by the Company to the new measures introduced by Spanish Law 11/2018, of 28 December, amending Commercial Code, the consolidated text of the Spanish Corporate Enterprises Act approved by Royal Legislative Decree 1/2010, of 2 July, and Spanish Law 22/2015, of 20 July, on Auditing (<i>Ley de Auditoría de Cuentas</i>), concerning non-financial information and diversity.</li> <li>- Development of corporate policies such as the Selection and Diversity Policies or the Shareholder Relations Policy.</li> <li>- Updates to the Articles of Association and the Regulations Board members.</li> <li>- Implementation of the actions proposed in the Board's Self-Assessment Report.</li> </ul>
<b>HR Objectives</b>	<ul style="list-style-type: none"> <li>- Globalisation of the Central Employee tools.</li> </ul>
<b>Environmental Objectives</b>	<ul style="list-style-type: none"> <li>- Implementation of Social Log for projects that require it.</li> <li>- Analysis of environmental service providers hired by TR, for example, waste management firms.</li> <li>- Tracking the Company's Carbon Footprint to adopt measures to comply with emission reductions by 2030.</li> </ul>
<b>Innovation Objectives</b>	<ul style="list-style-type: none"> <li>- Commissioning of the Pb and Ag production plant with ECOLEADTM technology for the Company American Zinc Products (AZP) in the United States.</li> <li>- Commissioning of the Zn production plant with ZINCEXTM technology for the Company American Zinc Products (AZP) in the United States.</li> <li>- Expanding the production capacity of the Zn plant with ZINCEXTM technology for the DOWA Company in Japan.</li> <li>- Marketing launch of new PHOS4LIFETM, WALEVATM, HALOMETTM, LIP4CATTM and DATMOSTM technologies.</li> <li>- Incorporation of N2O greenhouse gas abatement technologies with efficiency exceeding 90%.</li> </ul>
<b>Financial Objectives</b>	<ul style="list-style-type: none"> <li>- Development of a plan to increase the liquidity lines and credit guarantees.</li> <li>- Restructuring financing to seek terms exceeding three years.</li> </ul>

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<b>Procurement Objectives</b>	<ul style="list-style-type: none"> <li>- Training process aimed at base level of departments to ensure the dissemination of knowledge at this level.</li> <li>- Development of the Innova digitisation project; an initiative that seeks to optimise processes through the use of technology.</li> <li>- Creation of a new management profile within the organisation to improve information and monitoring of deliveries and purchases in the final stages of projects.</li> </ul>
<b>Construction Objectives</b>	<ul style="list-style-type: none"> <li>- Implementation of E-sam in all projects.</li> <li>- Expansion of e-Supplier functionalities.</li> <li>- Sewa Hamriyah CAPP IPP project – Hamriyah, Sharjah, UAE.</li> </ul>
<b>HSE Objectives</b>	<ul style="list-style-type: none"> <li>- Completing the implementation of an application for digitising all HSE-related data in works.</li> <li>- Improved incident investigation methodology at works by standardising processes and training.</li> <li>- Transition to new ISO 45001 health and safety regulations.</li> <li>- Expansion of actions in the “<i>Health and Welfare</i>” area.</li> <li>- Inclusion of a human resource with a social profile in all HSE worksite teams.</li> <li>- Implementing a mobile application to log onsite observations.</li> </ul>
<b>Regulatory Compliance Unit Objectives</b>	<ul style="list-style-type: none"> <li>- Completion of deployment of the Criminal Compliance Management System in most significant subsidiaries.</li> <li>- Conclusion of the criminal risk reassessment launched in FY 2018.</li> <li>- Identification of persons occupying especially exposed positions, allowing a training structure to be developed for preparing specific training content.</li> <li>- Knowledge, reassessment and prioritisation of the criminal risks that threaten the organisation based on the creation of a risk and control matrix.</li> <li>- Completing the development of the Whistleblower Channel management tool.</li> </ul>
<b>Social Objectives</b>	<ul style="list-style-type: none"> <li>- Ensuring high percentage of local procurement and outsourcing.</li> <li>- Collaboration with a high number of social action organisations.</li> <li>- Carrying out social action initiatives during the execution of projects.</li> </ul>

### 13.2 Risk factors (non-financial) associated with the business

Técnicas Reunidas has tools and procedures that help it identify, prevent, minimise and manage the risks associated with its activity.

The Company’s comprehensive methodological framework for managing key risks covers all areas and projects.

Through this framework a catalogue of key risks is prepared, as identified based on the COSO II methodology.

To manage these risks, Técnicas Reunidas has developed various procedures and management policies, including the following:

- Procedures related to the nature of the projects, such as careful selection of projects, policies for diversifying geopolitical risks, policies for maintaining the technical capability necessary to implement projects, policies for sharing project risks with third parties, maintenance of insurance cover and contracting methods that ensure the quality of suppliers, etc.
- Procedures related to the financial management of projects: management of foreign exchange risk, liquidity, tax risks and technical contingencies.
- Procedures related to Health and Safety Management Systems.

The Company’s main operating risks are listed below, including non-financial areas such as environment, health and safety, personnel and reputation. The main operating risks and the management mechanisms available to TR are set out below.



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Risk	Description	Main risk management and mitigation mechanisms
Changes in cost estimates on projects	<p>Several factors may influence a change in project cost estimates in turnkey projects (the complete price is closed at the start while execution costs may change), such as the volatility of raw material prices, changes in project scope, performance by construction and assembly subcontractors on time and with required quality, litigation by customers or suppliers or weather conditions, among others.</p> <p>The assessment of all these factors implies a high level of judgement and estimates.</p>	<ul style="list-style-type: none"> <li>- Development of new contracting methods to mitigate risks.</li> <li>- Inclusion of indemnity clauses in contracts with suppliers and subcontractors.</li> <li>- Intensive acquisition, during the first months of implementation, of equipment that is both critical and very sensitive to the price of certain raw materials.</li> <li>- Use of derivatives that allow the acquisition of certain essential raw materials and equipment in instalments.</li> <li>- Distribution of the execution of work among several subcontractors and including subcontractors as project partners.</li> <li>- Increased supervision of construction and assembly subcontractors.</li> <li>- Including contingencies for deviations in budgets.</li> <li>- Relying on opinions of external consultants in the preparation of estimates and judgements.</li> </ul>
Changes in the price of crude oil.	<p>The price of crude oil, in addition to other factors, affects the investment, award and execution decisions of the Group's customers and suppliers, competitors and shareholders.</p> <p>Recent drops in oil prices have pushed customers to provide worse payment terms and be more demanding in negotiating changes of scope and claims.</p> <p>The group's commercial activity is conditioned by the investment efforts of our customers.</p>	<ul style="list-style-type: none"> <li>- Predomination of NOCs (national oil companies) over IOCs (independent oil companies) in the portfolio (which include factors beyond purely financial considerations in their decision-making, such as geopolitical and social criteria).</li> <li>- Diversification of products and geographic areas.</li> <li>- Mitigation of negotiation risks by the early detection of those matters that may represent a change in the contractual price.</li> </ul>
Execution of projects in multiple geographic areas.	<p>TR's projects are carried out in multiple geographic areas, each of which have a different risk profile to mitigate: political and social tension, limited access locations, limited legal security, domestic content requirements etc.</p> <p>Performance of projects for the first time in a determined geographic area increases the risk of deviations in margins.</p>	<ul style="list-style-type: none"> <li>- Selection of projects based on a detailed analysis of the customer and the country and other matters such as the specific margins on the project and the risks involved.</li> <li>- Use of modular construction methods in locations with limited labour availability or where the site conditions allow for savings compared with other options.</li> <li>- Where possible, TR includes the resolution of disputes at courts or in arbitration in countries where it has prior experience.</li> <li>- Where possible, TR includes clauses that allow prices to be changed in the event of amendments to laws.</li> <li>- Flexibility to adapt to domestic content requirements.</li> </ul>
Concentration in a low number of customers.	<p>At certain times the portfolio may feature a high concentration in a low number of customers and suppliers in certain countries.</p>	<ul style="list-style-type: none"> <li>- Concentration only in markets in which the Group has sufficient prior experience.</li> <li>- Diversification policy that allows TR to access very different markets.</li> <li>- Deployment of relevant commercial action with new customers in markets in which TR does not yet have a presence.</li> <li>- Atomisation and diversification strategy for local and international construction suppliers.</li> </ul>
Environmental and safety requirements.	<p>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.</p>	<ul style="list-style-type: none"> <li>- TR has an Environmental Management and Safety System.</li> <li>- Assurance of environmental management from the engineering phase. Extension of this assurance to suppliers and subcontractors through audits and training.</li> <li>- Reinforcement of the safety of processes from the design phase.</li> </ul>

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		<ul style="list-style-type: none"> <li>- Promotion of occupational safety at suppliers and subcontractors.</li> </ul>
Economic variables.	<p>Certain economic circumstances (changes in exchange rates, interest rates, availability of financing, taxes, etc.) can have an impact on TR's business and profits.</p> <p>Period of geopolitical tensions high impact on economic variables.</p>	<ul style="list-style-type: none"> <li>- Continuous monitoring of the risks associated with currencies and the contracting of exchange hedges.</li> <li>- Management of a sound balance sheet and availability of adequate lines of financing.</li> <li>- 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.</li> </ul>
Information technology.	As the Group's digital presence has increased, the risk of intrusions into its systems by cybercriminals has increased.	<ul style="list-style-type: none"> <li>- Information Security Management System certified in accordance with ISO 27001:2015.</li> <li>- Employee training on cybersecurity matters.</li> <li>- An Information Security Committee has been created to analyse the development of the strategic cybersecurity plan, the results of the audits and the primary risks faced.</li> </ul>
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.	<ul style="list-style-type: none"> <li>- Procedures to identify essential employees that must be retained and the application to them of policies that contribute to their retention.</li> <li>- Implementation of a flexible Human Resource structure to adapt swiftly to market changes.</li> <li>- Global management of human resources to make the criteria applied at the various subsidiaries uniform.</li> </ul>
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.	<ul style="list-style-type: none"> <li>- Internal regulations and training to guarantee the proper behaviour of professionals and the availability of a Code of Conduct and a Whistleblower Channel.</li> <li>- Demanding minimum requirements from suppliers and subcontractors regarding the environment, human rights, health and safety.</li> </ul>
Quality of execution	Quality in the execution of the works ensures not only the successful completion of the project, but also obtaining projects of a similar nature or with the same customer.	<ul style="list-style-type: none"> <li>- Quality supervision mechanisms in all project stages.</li> <li>- Creation of databases recording the group's Know-How and best practices.</li> <li>- Quality Department responsible for drawing up procedures.</li> </ul>

In addition to the operational risks mentioned above, Técnicas Reunidas evaluates other potential non-financial contingencies of minor impact to the Company with the aim of always ensuring the maximum performance levels in terms of Corporate Social Responsibility and sustainability. The details of the procedures applied by the Company to manage these risks may be found in each of the associated chapters of this document.

Notably, the Company also uses all the tools at its disposal to assess, manage and mitigate any financial risks not present in its immediate environment. As a result, Técnicas Reunidas has not experienced any significant impacts in this area in 2018.

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### 13.3 Information on environmental matters

#### 13.3.1 Corporate environmental policy and management systems applied for the identification and management of impacts on the Company in this area

Environmental management is a priority that has been fully integrated in the Company's strategy. In 2018, the Company has continued to work to respond to the new challenges in this area, including growing customer attention towards the environmental requirements of their projects, adopting a new paradigm in its management approach.

Since 1997 Técnicas Reunidas has adapted its Environmental Management System (EMS) to regulatory requirements and demands of stakeholders. This system is implemented and certified in accordance with the standard ISO 14001:2015 based on the policies, programs and practices specifically established in the Environmental Management Manual, notably the Company's "Quality, Safety, Health and Environment Policy".

TR's environmental management covers the Group's operations and the activities within its value chain, establishing environmental requirements at the facilities and projects in which the Company participates, also applicable to its suppliers and subcontractors.

The EMS allows the environmental effects that are generated directly from TR's activities to be identified and managed. Once identified, the Company can implement control and mitigation actions, in addition to establishing objectives and monitoring actions based on a scorecard of indicators, covering all the phases required in a due diligence process.

Furthermore, TR makes available to its customers, when requested, its capacities and experience to include sustainability criteria in project designs. This service offers significant added value to the customer, therefore benefitting better environmental performance by the project during operations, and achieving higher efficiency during this phase with lower impact on the environment. In this sense and in response to growing customer concerns regarding the environmental requirements of their projects, Técnicas Reunidas has adopted the following measures:

- Optimisation of resources with an exhaustive analysis of the environmental impact at the offer stage, allowing the real needs of each project to be identified in the pre-project phases.
- Appointment of an environmental manager as part of the task force team.
- Increased role and responsibilities of the project's environmental manager in terms of internal environmental consulting.
- Realtime monitoring of environmental indicators for each project to avoid deviations.

The Company carries out the detailed monitoring of the environmental performance of its projects, having defined specific indicators to track material aspects in this field. The main environmental issues associated with the Company's business are the emission of greenhouse gases, energy, waste and the consumption of materials.

In recent years the Company has also engaged in efforts to expand the scope of activities to be tracked from the data collected. To do this, Técnicas Reunidas has established 2017 as the base year. It is important to highlight that, depending on the progress of each project, these ratios may vary significantly from year to year. Not surprisingly, the execution of EPC projects involves different phases with highly variable workloads, supply phases and staff levels.

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

#### 13.3.2 Emissions of greenhouse gases responsible for climate change and other forms of contamination

The main sources of greenhouse gases associated with TR's activity correspond to the consumption of fossil fuels in the Company's road fleet and facilities, electricity consumption at those facilities (level 2) and the emissions corresponding to employee travel and to purchases of products and services from suppliers and contractors (level 3).

In 2018 these emissions reached 45,396.44 tCO<sub>2eq</sub> at level 1 (12.10% variation on 2017), 1,079.72 tCO<sub>2eq</sub> at level 2 (-69.48% variation on 2017) and 21,253.09 tCO<sub>2eq</sub> in the categories classed as level 3 (-6.47% variation on 2017):

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	2018 data*	2018-2017 progress (%)
Level 1 emissions [tCO <sub>2eq</sub> ]	45,396.44	12.10%
Level 2 emissions [tCO <sub>2eq</sub> ]	1,079.72	-69.48%
Level 3 emissions [tCO <sub>2eq</sub> ]	21,253.09	-6.47%
<b>TOTAL</b>	<b>67,729.25</b>	<b>1.46%</b>

*\*To calculate the reported data, an estimate was made of the emissions associated with the last quarter of the year.*

TR is committed to the corporate goal of reducing Level 1 and 2 emissions by 12% in the 2016-2030 period. To this end, the Company works continuously in the identification and implementation of effective measures. In 2018, the most noteworthy actions correspond to energy efficiency plans, awareness campaigns, efforts to implement circular economy in its activities and promoting transparency with regard to climate change.

In relation to this last point, the Group is highly aware of the potential impact that climate change may have on its business, and it has developed a climate risk and opportunity matrix together with the relevant adaptation plan, transparently reporting its climate change performance through participation in initiatives such as the Carbon Disclosure Project (CDP) in which Técnicas Reunidas has participated for several years. In the 2018 edition, the Company has remained among the leading companies in Spain with a score of "A-", demonstrating its commitment with the environment and fostering transparency in the communication with its interest groups.

The main climate change risks to which the Company is exposed are identified in the CDP questionnaire. TR is primarily exposed to transition risks, in particularly those that depend on regulatory developments that could have an impact on its customers in the Oil & Gas sector. Furthermore, due to their geographical location, some of TR's customers are subject to extreme temperatures (e.g., Middle East, Russia or Canada), exposing them to physical risks that can lead to changes in working conditions during the execution of projects.

On the other hand, TR is well positioned in the field of climate change opportunities to take advantage of stronger regulatory pressure in environmental matters given that the Company has appropriate technology for its customers to deal with increasingly stringent environmental requirements.

Técnicas Reunidas not only focuses its efforts on minimising greenhouse gas emissions. The Company deploys all available resources to identify existing environmental contingencies in each case and establish preventive measures and, as applicable, mitigation measures based on the best available techniques. In addition to emissions, spills etc., these limits include other forms of contamination, like noise for example. Regarding light pollution, the Company's office buildings have automatic night-time shutdown systems from 8 pm to 6 am. In the case of works, these are illuminated in accordance with the safety and energy efficiency standards applicable in each country. For the proper management of all environmental issues, the Company has a wide range of support documents –including the Environmental Management Plan and Construction Environmental Management Plan–, which identify the limits of mandatory compliance, along with the actions to be implemented at all times.

### **13.3.3 Circular economy and waste prevention and management**

Técnicas Reunidas is strongly committed to implementing an environmental strategy base on circular economy principles to minimise the potential impacts of its activities. TR's project-related activities generate a variety of waste types, both hazardous and non-hazardous.

For their management, TR has implemented actions such as promoting prevention, reusing and recycling rather than generation and dumping, along with waste mitigation and control through the integration of cutting-edge environmental design techniques in the processes at its plants and conducting awareness campaigns at its offices and worksites.

Furthermore, in 2018 as part of its circular economy strategy, the Company has implemented two measures to reduce waste and water consumption in ongoing projects:

- **Reusing site excavation materials:** With regard to the management of surplus soil and rocks from excavation sites, the Company has encouraged their reuse in the works, highlighting the Rapid Petronas (Malaysia), KNPC (Kuwait), Teeside (United Kingdom), Ras Tanura and Haradh (both in Saudi Arabia), and Kilpilahti (Finland) projects, where the amount of waste soil has significantly reduced. This surplus was used to fill trenches and foundations or for landscape levelling tasks.
- **Reuse of water in works through onsite water treatment:** TR has fostered the optimisation of water consumption by installing wastewater treatment plant at its facilities, allowing the water to be reused on site. In 2018, this initiative was implemented at the Jazan IGCC and Jazan Refinery

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projects in Saudi Arabia, where water is a scarce resource. The treated water is used for construction needs, curing concrete and controlling dust of roads and lorries.

In this sense, in 2018 the waste generated in the Company's projects has been as follows:

	Amount generated in 2018* (t)	Evolution 2018-2017(%)
Hazardous waste (including oils, electrical and electronic equipment and other minority fractions).	231.80	-40.87%
Non-hazardous waste (including wood, household equivalent waste and other categories)	39,902.40	0.82%

*\*To calculate the reported data, an estimate was made of the waste associated with the last quarter of the year.*

### 13.3.4 Actions to combat food waste

Aside from the waste from its operations, in recent years TR has implemented various measures to prevent food waste at subcontracted canteens, actively promoting its environmental commitments with responsible actions at work sites.

Given that most of the works performed by the Company are located at sites far away from urban centres, the measures are aimed at preventing waste and promoting the responsible use of food, including aspects relating to transportation, storage, handling, processing and consumption. The following preventive measures have been implemented in the management of these services:

- Planning purchases and calculating portions adapted to staff histograms, while also ensuring a balanced diet that meets nutritional needs.
- Managing stock rotation to plan food preparation.
- Preference for quality ingredients from local markets to serve fresh, locally-sourced meals.
- Adequate food transport, handling and storage, observing the conditions required by each product type, to best use and preserve the raw materials.
- Facilities designed and adapted to best provide the service, also using kitchen equipment and utensils that ensure appropriate storage, handling and preparation processes, to ensure the safety, conservation and consumption of meals in adequate conditions.
- Optimal conditions of hygiene to avoid contamination and the subsequent need to discard deteriorated products.

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### 13.3.5 Sustainable use of resources

Energy is one of the main resources needed for all the Company's operations. In 2018, the Group consumed 644,969.18 GJ of energy in its activities (mainly in the form of diesel, petrol, electricity and fuel oil) representing a rise of 9.62% compared to 2017:

	Amount consumed in 2018 (GJ)*	2018-2017 progress (%)
Diesel	570,710.57	21.31%
Petrol	43,888.63	-42.81%
Fuel oil	827.65	NA**
Total electricity consumption	29,542.32	-20.74%
Total consumption of electricity from renewable sources***	20,648.07	NA**
<b>Total</b>	<b>644,969.18</b>	<b>9.62%</b>

\*To calculate the reported data, an estimate was conducted of the energy consumption associated with the last quarter of the year.

\*\*Variation calculation not applicable since last year consumption was zero.

\*\*\*Renewable energy has been implemented by the Company this year at the following offices: BAMI 3, 5 and 6; GORBEA, MARÍA DE PORTUGAL, CTTR and Cartagena Office.

To ensure the appropriate management of its energy consumption, during 2018 TR has implemented various actions including the adoption of energy efficiency plans and conducting awareness campaigns.

In addition, in 2018 the group launched several measures aimed at promoting the use of renewable energy at the Group's facilities. These have included changes to the electricity supply contracts at seven out of nine Técnicas Reunidas central offices, with the assurance that 100% of the power comes from renewable sources. This consumption represents 69% of the total power consumed, thanks to which Técnicas Reunidas has succeeded in preventing the emission into the atmosphere of 1,566.58 tonnes of CO<sub>2</sub> equivalent

TR has worked on optimizing the use of material resources in all phases of the value chain and the recovery of materials through R&D+I activities. Steel, copper and paper were the main materials consumed by Company as shown in the following table:

	Amount consumed in 2018 (t)	2018-2017 progress (%)
Steel	25,084.43	-69.91%
Copper	888.49	-19.08%
Paper*	107.09	3.97%

\*To calculate the reported data, an estimate was conducted of the paper consumption associated with the last quarter of the year.

Furthermore, although water consumption is outside the Company's material scope, TR endeavours to make responsible use of this resource at all times, both at work sites and office buildings.

In relation to its offices, water consumption is outside the scope of Técnicas Reunidas, given that it is the responsibility of the building owners. Nevertheless, the Company conducts campaigns to reduce water consumption in all its offices based on a commitment to savings and efficient consumption.

In the case of its projects, Técnicas Reunidas is responsible, within the scope of the contract, for providing potable water for site and office activities, together with the construction works.

### 13.3.6 Protection of biodiversity

Técnicas Reunidas carries out all its projects on industrial land, which is why biodiversity is not among the Company's material aspects. In this regard, the Company's activities during 2018 have not given rise to any significant impact on biodiversity.

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TR executes its projects based on environmental impact assessments commissioned by its customers. In biodiversity matters, Técnicas Reunidas implements the measures required by the customer's contractual scope, offering, when necessary, specific consulting services for customer advice and support. When protection of biodiversity is assumed by Técnicas Reunidas in the contractual scope, the Company has developed several initiatives, including planting trees, aimed at compensating CO<sub>2</sub> emissions from these projects, hence reducing its carbon footprint. An example of this is the reforestation program in 2018 can be found at the Fadhili project in Saudi Arabia.

### 13.3.7 Provisions and guarantees for environmental risks

In view of the business activities carried on by the group, it does not have any environmental assets, provisions or contingencies that might be material with regard to its equity, financial position or results. However, the Company is insured under an environmental liability policy that guarantees coverage of potential environmental damage arising from Técnicas Reunidas' activities, including environmental liability at its own facilities and offsite, liability for pollution or liability during transport to and from third-party facilities.

### 13.3.8 Resources dedicated to the prevention of environmental risks

To prevent environmental risks, Técnicas Reunidas has an environmental area consisting of a team reporting to the HSE Department and responsible for the prevention and management of environmental risks in projects. This team of interdisciplinary professionals works in a cross-cutting manner throughout the group's companies/divisions, implementing a common methodology in all projects.

## 13.4 Information on social and personnel issues

### 13.4.1 Employment

Técnicas Reunidas' professionals are the Company's main asset. Our workforce has more than 8,900 employees, representing a major management challenge. Relying on various tools and strategies, the Company, manages the relationship with its professionals and promotes their development.

The tools available to TR include policies, procedures and bodies that govern the principles, guidelines and decisions related to human resources. This framework enables the appropriate management of human resources, offering a safe and dependable environment that reinforces their commitment to the Company.

The application of these procedures assists TR in the identification, assessment and mitigation of potential risks, therefore ensuring that the Company has not suffered any significant personnel-related issues in 2018.

Another key aspect for Técnicas Reunidas is the globalised management of human resources in response to its diversification strategy, in services and projects as well as geographical area. This globalised management approach enables the Group to implement more comprehensive control of all sections related to human resources, increasing the reliability of information, offering a series of basic conditions to all employees, and optimising time and cost in their management.

In this area, TR has implemented a software tool (SAP Success Factors), which enables better management of remuneration plans, employee performance, or training schemes.

The group's workforce at 31 December 2018 stood at 8,971 workers, of whom 8,311 are TR employees and 660 are outsourced workers and independent professionals who have a direct contract with the Company. In this regard, this document provides information on Técnicas Reunidas' own workforce and in those cases where there is information on subcontracted staff, their data is included in the scope of the indicators reported. It should also be noted that Técnicas Reunidas has a total of more than 50,000 subcontracted construction workers in its projects (see section 13.7). However, the Company has no direct link with these workers, who are direct employees of the subcontractor in question. For this reason, the information concerning these workers is not included in the scope of this report. The following tables show the breakdown of the indicators on TR's workforce:

- Distribution of staff by gender, age, country and professional category:

Distribution of staff by gender*	No.	%
Men	6,312	75.95%
Women	1,999	24.05%
<b>TOTAL</b>	<b>8,311</b>	<b>100.00%</b>



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*\*Subcontracted staff and independent professionals are excluded from the scope*

<b>Distribution of staff by professional category*</b>	<b>No.</b>	<b>%</b>
Executive Directors	2	0.02%
Senior Executives	11	0.12%
1 <sup>st</sup> Management Level	62	0.69%
2 <sup>nd</sup> Management Level - Middle Managers	321	3.58%
Graduates, specialists and administrative staff	8,438	94.06%
Superintendents	57	0.64%
Sales staff	80	0.89%
<b>TOTAL</b>	<b>8,971</b>	<b>100.00%</b>

*\*Subcontracted staff and independent professionals are included in the scope*

<b>Distribution of staff by age*</b>	<b>No.</b>	<b>%</b>
<30 years of age	299	3.60%
30-50 years of age	7,037	84.67%
>= 50 years of age	975	11.73%
<b>TOTAL</b>	<b>8,311</b>	<b>100.00%</b>

*\*Subcontracted staff and independent professionals are excluded from the scope*

<b>Distribution of staff by country*</b>	<b>No.</b>	<b>%</b>
Spain	5,445	60.70%
Oman	266	2.97%
Chile	131	1.46%
India	73	0.81%
Saudi Arabia	1,074	11.97%
Kuwait	900	10.03%
Peru	290	3.23%
Malaysia	142	1.58%
Abu Dhabi	133	1.48%
Turkey	104	1.16%
Algeria	99	1.10%
Jordan	57	0.64%



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UK	46	0.51%
Azerbaijan	45	0.50%
Mexico	42	0.47%
Canada	26	0.29%
Australia	21	0.23%
Poland	20	0.22%
Finland	15	0.17%
Bolivia	10	0.11%
Italy	10	0.11%
Belgium	9	0.10%
Russia	6	0.07%
United States	5	0.06%
Dominican Republic	2	0.03%
<b>TOTAL:</b>	8,971	100%

*\*Subcontracted staff and independent professionals are included in the scope*

- Total number and distribution of employment contract types:

Distribution of employment contract types*	No.	%
Permanent	4,055	45.20%
Temporary	4,916	54.80%
<b>TOTAL</b>	8,971	100.00%

*\*Subcontracted staff and independent professionals are included in the scope*

Distribution of employment contract types*	No.	%
Full time	8,971	100.00%
Reduced workday	556	6.20%

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*\*Subcontracted staff and independent professionals are included in the scope. In addition, 100% of TR's contracts are "full time"; the Company does not have part time contracts. Nevertheless, this table includes employees with full time contracts and those employees with full time contracts who furthermore have a reduced workday.*

Annual average of contracts by contract type, gender, age and professional category:

Average contracts by gender*	Distribution by gender	
	Men	Women
Permanent	2,525	1,438
Temporary	4,331	583
<b>TOTAL</b>	6,856	2,021

*\*Subcontracted staff and independent professionals are included in the scope. Técnicas Reunidas does not provide part-time contracts.*

Average contracts by age*	Distribution by age		
	<30	>=30, <50	>=50
Permanent	252	2,893	818
Temporary	54	4,685	175
<b>TOTAL:</b>	306	7,578	993

*\*Subcontracted staff and independent professionals are included in the scope. Técnicas Reunidas does not have employees with part-time contracts.*

Average contracts by professional category*	Executive Directors	Senior Executives	1 <sup>st</sup> Management Level	2 <sup>nd</sup> Management Level - Middle Managers	Graduates, specialists and administrative staff	Superintendents	Sales staff
Permanent	2	11	63	165	3,662	25	35
Temporary	0	0	0	146	4,693	31	44
<b>TOTAL</b>	2	11	63	311	8,355	56	79

*\*Subcontracted staff and independent professionals are included in the scope. Técnicas Reunidas does not provide part-time contracts.*

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- Number of dismissals by gender, age and professional category:

Number of dismissals	No.	%
<b>Distribution by gender</b>		
Men	34	65.38%
Women	18	34.62%
<b>TOTAL</b>	52	100.00%
<b>Distribution by age</b>		
<30	3	5.77%
>=30, <50	34	65.38%
>=50	15	28.85%
<b>TOTAL</b>	52	100.00%
<b>Distribution by professional category</b>		
Executive Directors	0	0.00%
Senior executives	0	0.00%
1 <sup>st</sup> Management Level	0	0.00%
2 <sup>nd</sup> Management Level - Middle Managers	1	1.92%
Graduates, specialists and administrative staff	51	98.08%
Superintendents	0	0.00%
Sales staff	0	0.00%
<b>TOTAL:</b>	52	100.00%

*\*Subcontracted staff and independent professionals are excluded from the scope*

- Total average compensation (fixed and variable wages) of the workforce broken down by gender, age and professional category or equivalent value:

Total average compensation by gender* (€)	
Men	52,217.47
Women	41,818.41
<b>TOTAL:</b>	94,035.88

*\*Subcontracted staff and independent professionals are excluded from the scope*

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Total average compensation by professional category* (€)	Men	Women
Senior executives	394,465.19	192,195.48
1 <sup>st</sup> Management Level	168,472.92	163,165.03
2 <sup>nd</sup> Management Level - Middle Managers	101,080.61	85,244.93
Graduates, other line personnel and clerical staff	48,708.72	40,183.32
Superintendents	24,875.00	21,370.00
Sales staff	114,679.03	64,921.41

*\*Subcontracted staff and independent professionals are excluded from the scope*

Total average compensation by age* (€)	
<30	29,788.61
>=30, <50	45,835.24
>=50	71,317.76

*\*Subcontracted staff, independent professionals and subsidiaries are excluded from the scope*

- Wage gap:

Wage Gap*	%**
Senior Executives	51.28%
1 <sup>st</sup> Management Level	3.15%
2 <sup>nd</sup> Management Level - Middle Managers	15.67%
Graduates, specialists and administrative staff	17.50%
Superintendents	14.09%
Sales staff	43.39%

- *\*Subcontracted staff and independent professionals are excluded from the scope.*

- *\*\* The Wage Gap has been calculated based on the following formula*

$$1 - \frac{\text{average women's wage by professional category}}{\text{average men's wage by professional category}}$$

Directors' remuneration:

Total average directors' remuneration by gender (€) - executive directors*	
Men	€1,485,716.90
Women	N/A
Total average directors' remuneration by gender (€) - rest of directors*	
Men	€182,299.18

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Women	€164,670.00
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\* Directors' remuneration is broken down in detail in the Annual Director's Remuneration Report of listed companies.

\*\* Includes remuneration of directors who have served for the entire financial year.

### **13.4.2 Work organisation, measures to encourage work-life balance and implementation of disconnection from work policies**

For over 15 years the Company fostered the introduction of flexible working hours at its offices. In addition, employees are entitled to request a reduction in working hours.

Técnicas Reunidas also encourages the balance between work and personal life as one of its priorities in managing human resources. To this end, it has implemented a flexitime model for the workforce, based on trust and employee commitment. This model allows workers to manage their time and perform their professional activities while enjoying a better quality of life. Furthermore, depending on the area where the offices are located, office hours have been adapted to streamline arrival and departure times based on traffic conditions, therefore reducing employees' travel time.

The Company has not identified any risks related to the disconnection of its employees outside working hours. For this reason, TR does not consider it necessary to have a specific work disconnection policy work to offer a healthy working environment and ensure that its employees enjoy their free time.

### **13.4.3 Disabled employees.**

In its commitment to effective labour integration and development, Técnicas Reunidas has hired a total of 31 employees with disabilities, offering them stable and quality employment on equal terms.

With regard to accessibility to its buildings, TR complies with the regulations in force in each country where it operates. In addition, with regard to the Company's website, one of the main objectives is to ensure ease of access, regardless of any physical or technical disability. To this end, TR adheres to the Web Accessibility Initiative (WAI) of the World Wide Web Consortium (W3C). This organisation has developed the Web Content Accessibility Guidelines (WCAG) 1.0 aimed at making web content accessible to people with disabilities.

### **13.4.4 Training**

A key aspect that directly impacts on the Company's competitiveness is the safeguarding and enhancement of its intellectual capital. To this end, TR has an active knowledge management system instrumented mainly through the training resources and necessary knowhow that are made available to employees and that enable them to improve their performance at work.

To carry out its training management tasks, TR has three main policies, each with different objectives:

- 1) "Evaluation process and information records of employees" procedure: assures the quality of talent management processes.
- 2) "Skills, training and awareness" procedure: ensures that people are capable of performing the tasks assigned to them.
- 3) "Annual training plan and course management" procedure: describes the Company's training plan preparation process, along with how the specific training actions are requested under the plan.

Técnicas Reunidas is aware of the importance of attracting talent through disseminating knowledge. Accordingly, the Company offers its employees a complete range of courses and adjusted training plans to help them maximise their skills and growth potential throughout their professional careers. Thanks to this commitment, TR supports its professionals and facilitates the achievement of new goals that contribute to fulfilling the Company's objectives.

To this end, an analysis of skills in each area is performed, identifying specific gaps and implementing specific training plans (training roadmaps). In addition, after each training session the participants' supervisors receive a questionnaire to assess the effectiveness of the training and identify potential improvements and adjustments to the training for the future.

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Training by category	Hours
Senior Executives	46
1 <sup>st</sup> Management Level	921
2 <sup>nd</sup> Management Level - Middle Managers	3,848.5
Graduates, specialists and administrative staff	90,139.5
Superintendents	55
Sales staff	959
<b>Total</b>	<b>95,969</b>

Training by type	Hours
Skills	15,771
Languages	23,828
Technical	56,370
<b>Total</b>	<b>95,969</b>

*\* Técnicas Reunidas tallies all training hours where attendance rates are higher than 20%. If an employee as attended less than 20% of the theoretical course duration, their hours of participation are not included in the report.*

### 13.4.5 Equality

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

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

As reflected in the Code "The TR Group is committed to promoting the moral and physical integrity of its Professionals, guaranteeing conditions of respect and dignity in the workplace. In particular, the Group will take appropriate measures to prevent and, if necessary, correct the following: any manifestation of violence; physical, sexual, psychological, moral or other type of harassment; abuse of authority at work; or any other conduct that intimidates or infringes on the rights of TR Group Associated People. Also, in view of the importance of balancing work and personal life, any reconciliation measures and actions in this area will be encouraged."

The Company also has an Equality Plan and an Equality Committee that meets on a quarterly basis to analyse the current situation and potential conflicts, adopting appropriate measures as necessary. Furthermore, in 2018 the Company approved the Policy Against Workplace and Sexual Harassment.

Thanks to these procedures, TR carries out the identification, management and mitigation of risks that may arise in this field during the Company's activities. The implementation of all these preventive measures has prevented the appearance of any significant impacts in this regard.

### 13.4.6 Occupational health and safety

Achieving a safe and healthy environment for everyone involved in Técnicas Reunidas' business is a goal that requires constant effort by employees to improve on a daily basis, and that effort must be guided by company management.

To achieve the full integration of occupational safety and health throughout the life cycle of its projects, for 11 years now, Técnicas Reunidas has used an Occupational Health and Safety Management System certified in accordance with the OHSAS 18001 standard that covers all phases of the project life cycle, from design through to construction and start-up. The Occupational Health and Safety System is part of the Corporate Quality, Safety and Environment Policy and is based on three pillars: accident prevention, integration of safety in corporate strategy and continuous improvement of methods and processes.

To ensure that the management system is implemented correctly and that it conforms to the established objectives, internal corporate health and safety audits are performed, as well as follow-up audits as defined

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in the plans. The results of these audits are discussed with the client or subcontractor at the site, facilitating the effectiveness of actions taken to correct any shortcomings.

At the same time, external audits are performed on projects at the construction phase, in order to maintain international Health and Safety management system certifications. During 2018, 15 internal audits were carried out during the construction phase of projects, resulting in the detection of 658 deviations (34.4% less than in 2017). The average level of compliance identified in the audits was 87.48%, in line with the results of recent years.

TR ensures that high standards of occupational safety are observed by its supply chain, establishing specific requirements and promoting good practices in this regard. Onsite health and safety managers oversee the application of specific health and safety plans by subcontractors, implementing any preventive actions that are considered necessary. To this end, the Company carries out information campaigns, preventive measures and regular medical check-ups.

The Company also works to ensure the standardisation of health and safety procedures throughout the entire organisation, in order to guarantee maximum efficiency in the dissemination and assimilation of corporate policies. This objective is based on an intensive drive toward training. During 2018, there were 0.61 hours of training provided in this area for every 100 hours worked (8.93% more than in 2017), taking into account the personnel of both the Company (in offices) and its subcontractors.

With regard to the effectiveness of its safety policies, Técnicas Reunidas assesses their performance through a system of indicators. At present, based on the Company's materiality principle, the information reported corresponds to projects, given that the greatest safety risks are identified with the type of activities carried out during the construction phase. The evolution of H&S indicators for 2018 are shown in the following table:

	Value of the indicator in 2018			2018-2017 progress (%)
	Women	Men	Total	
Lost time incident rate* (LTIR)	0.000	0.010	0.010	-66.67%
Total recordable incident rate** (TRIR)	0.000	0.060	0.060	-45.56%
Severity rate*** (SR)	0.000	0.005	0.005	-54.55%
Occupational disease rate	0	0	0	NA****

\* LTIR (Lost Time Incident Rate): No. of incidents involving lost time/No. of hours worked \* 200,000. The index refers to the frequency of accidents.

\*\* TRIR (Total Recordable Incident Rate): No. of recordable incidents (based on OSHA)/No. of hours worked \* 200,000. This index refers to the frequency of accidents.

\*\*\* Severity rate (SR) = (No. of days lost through incidents/Total no. of hours worked) \* 1,000. This index refers to the severity of accidents.

\*\*\*\* This progress calculation is not applicable because in 2017 this information was not reported.

It should be noted that construction work has involved 196,400,000 working hours (42% more than in 2017), including hours worked by subcontractors, meaning that the Company has had to manage a volume of more than 60,400 workers (including Company and subcontractor workers), 44% more than in the previous year. Despite this increase, the lost time incident rate (LTIR) and recordable incident rate (TRIR) –both corresponding to men– have improved by 67% and 45% respectively, compared to the previous year, with figures well below the corporate limits set by the Company. The severity rate (SR) has also improved with a decrease of 55%, exceeding the established target.

Sadly however, the death was reported of a worker belonging to a subcontractor. The corresponding cause analysis was conducted after the accident and appropriate measures to prevent recurrence have been taken. Lessons learned from the investigation have been distributed to all parties involved in project and construction activities.

Finally, in addition to the data mentioned above, the group monitors absenteeism rates throughout the Company. The hours of absenteeism for 2018 are shown below:

	Value of the indicator in 2018
Total number of absenteeism hours	273,722

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### 13.4.7 Labour relations

In relation to trade union organisations of TR employees, there are currently three committees: the equality committee, training committee and the overseas assignments committee, with which TR meets regularly in order to promote dialogue and consensus with its workers.

Técnicas Reunidas is well aware of the role of unions as the legal representatives of workers' interests. Therefore, the Company at all times guarantees equal and non-discriminatory treatment of its workers, respecting their freedom of association in line with the collective bargaining agreements and legislative framework of the country concerned.

### 13.4.8 Employees covered by a Collective agreement

In all countries where collective bargaining agreements exist, 100% of employees are covered by the collective agreement associated with the activity licence granted to the Company (engineering, construction, etc...). In addition, health and safety clauses are included in all collective agreement, which are adapted to the corresponding local legislation.

### 13.5 Information on respect for human rights

From the outset and as one of its priorities, Técnicas Reunidas has always acted with integrity and respect for human rights in the exercise of its business, incorporating these principles as part of TR's corporate culture. To this end, the Company has a CSR management framework based on a specific corporate policy approved by the Board describing the Group's main commitments in corporate, environmental and social governance, including the respect for human rights among its social commitments.

Accordingly, the Company has developed various internal policies and procedures to ensure its consistent compliance everywhere it conducts business, including the Company's Code of Conduct. In the specific area of Human Rights, the code establishes the commitment to act at all times in accordance with prevailing legislation, guaranteeing respect for human rights and internationally accepted ethical practices.

Furthermore, the Code recognises the need for all the Company's activities to be conducted in a manner consistent with the values and principles contained in the United Nations Global Compact, of which TR is a signatory. Técnicas Reunidas also belongs to a Group whose activities are bound by the principles of the Universal Declaration of Human Rights and the OECD Guidelines for Multinational Enterprises.

The Code likewise expresses TR's complete rejection of child and forced or compulsory labour and establishes the corporate commitment to respecting freedom of association and collective bargaining and to recognise the rights of ethnic minorities in the countries where it operates, rejecting any form of discrimination, exploitation and, child labour, therefore ensuring compliance with the International Labour Organization (ILO).

These self-imposed requirements for Company also extend to the value chain. In this vein, TR requires its business partners (e.g., suppliers or subcontractors) to adhere to a series of guidelines in environmental, labour and humans' rights matters. To identify and remedy potential abuses, the Company conducts evaluations to monitor the respect for human rights. Técnicas Reunidas' requisites also feature an initial approval procedure that ensures that the supply chain operation will always be performed in accordance with the law and complying with all specific human rights conditions, in accordance with the type of business and level of risk.

Besides this, the Company has incorporated human rights due diligence procedures as part of its global risk management system. Through this system, TR evaluates, prevents and mitigates any significant risks and impacts that could affect the Company globally. The methods applied can be classified into those deployed at the project tender phase and those used during project execution.

With regard to the Code of Conduct, the Company also has a Whistleblower Channel (Code Mailbox) to facilitate the reporting and prevention of breaches and other matters related to the Code of Conduct, such as human rights. This Channel is available to Técnicas Reunidas' employees, partners, suppliers or subcontractors alike.

As a result of these efforts, Técnicas Reunidas has not received any complaints during the 2018 concerning the respect for freedom of association and collective bargaining rights, workplace or employment discrimination, forced or compulsory labour or child labour, nor on any other matter concerning the violation of human rights in any of the countries where it has operated in this period.



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However, if despite all the measures implemented by the Company, it detects any human rights breaches or other actions with a negative impact on those rights, Técnicas Reunidas will act by immediately and implement the appropriate measures in each case, always adopting a zero-tolerance approach to such actions.

### 13.6 Information related to the fight against corruption and bribery

#### 13.6.1 Management approach

Técnicas Reunidas' Code of Conduct is the fundamental tool to prevent the corruption, bribery and money laundering activities. Furthermore, the Group has a Regulatory Compliance Unit, tasked with the dissemination of the Code of Conduct, the management of the Whistleblower Channel, and the review and adaptation of the crime prevention and reporting systems

In 2018, Técnicas Reunidas has continued to deploy the Management System for Crime Prevention (based on the Company's Code of Conduct, internal regulations and applicable law). This system enables the Company to minimise risks and enhance its capacity in the prevention, detection and response to critical issues in regulatory compliance and integrity. The Group is currently rolling out the international implementation of this system, to be completed in 2019, with the aim of keeping tighter control of regulatory compliance in all the Company's subsidiaries and projects across the world and reducing the associated risks.

To manage all these issues, in 2018 the Company approved several Compliance policies, including the following: *Criminal Compliance Policy* and *Catalogue of Criminal Risks and Expected Conduct*, *Gifts and Entertainment Policy*, *Policy on Relations with Public Officials and Equivalentents*, *Policy on Links with Foreign Partners*, *Anti-corruption Policy*, *Conflicts of Interest Policy* and the *Antitrust Policy*.

The Company is also working to adapt the Management System for Crime Prevention to new benchmarks and standards to improve management, including UNE 19601 on Crime Prevention Compliance (to which the system has already been adapted and work is now ongoing on its dissemination) and ISO 37001 on Anti-bribery Management Systems (under adaptation).

Based on all these tools and procedures, TR carries out an assessment of potential risks and their prevention, management and mitigation measures should they occur. Thanks to which the Company has not recorded any significant incidents in 2018.

#### 13.6.2 Contributions to foundations and non-profit entities

In 2018, TR donated €626,808 to foundations and non-profit organisations (for more information see section 5.7).

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### 13.7 Information about the Company

#### 13.7.1 Commitments of the Company to the sustainable development of local communities

TR's operations have a social dimension that the Group manages by identifying the possible repercussions of its projects on the environment, promoting dialogue with stakeholders and defining actions to reinforce the positive impacts they generate. The management of relationships with these stakeholders is based on three pillars:

- **Participation and dialogue:** Maintaining regular dialogue with stakeholders in order to gain an awareness of their expectations regarding the business and identifying issues that will help the Group to improve.
- **Social Action:** Take several initiatives to reinforce positive impacts beyond its business, establishing collaborative efforts with organisations through both financial and other contributions (disseminating knowledge in forums, participation in working groups, etc.).
- **Social management of projects:** The execution of projects generates several positive and negative social impacts on the environment. TR manages those impacts by identifying their potential consequences and defining action to maximise the positive impacts and reduce or eliminate the negative impacts.

Técnicas Reunidas' priorities include identifying and managing the most critical aspects for the local community that might arise from the implementation of its projects. For this purpose, the Company has established a Social Management Framework (see box below). This enables the planning of specific actions in response to these issues, where coordination with the local environment and different stakeholders (public administrations, partners, suppliers, subcontractors, etc.) is crucial. Issues frequently identified by TR include the recruitment and training of local workers, the development of infrastructure in the local area, potential environmental effects and cultural needs. Throughout 2018, TR has worked to systemise social management tasks in the projects implemented by the Company, not only from a corporate or health and safety standpoint, but also in a broader and more dedicated sense, to address the individualities of each project, construction work or community affected.

<b>SOCIAL MANAGEMENT FRAMEWORK</b>	
<b>Evaluation and management of social impact</b>	Specific analysis at the bidding phase of the social impact of each project. Obtaining the "social licence" to operate is the customer's responsibility.
<b>Projects supporting the local community</b>	Through its coordination with the local community, Técnicas Reunidas understands its needs and expectations, and can analyse the best ways to organise its support based on the characteristics of each project.
<b>Continuous monitoring of the local environment</b>	Técnicas Reunidas continuously monitors the local environment, as well as the performance of third parties involved in the implementation of projects, including suppliers and contractors.
<b>Social impact grievance and reparation mechanisms</b>	Company analyses local regulations in order to detect negative social impacts and provide the appropriate grievance and reparation mechanisms.
<b>Dialogue with local communities</b>	Ongoing dialogue with representatives of the local community during the implementation of all projects is the responsibility of the project manager.

TR pays special attention to the careful selection of personnel assigned to the implementation of projects - an aspect that the Company takes into account from the worker selection phase and continues with their deployment to the site. Much of this task's success lies in a management procedure that allows local hiring requirements to be met and balanced with the need for expatriate labour, within the deadlines established for the successful and timely implementation of projects.

The projects in which Técnicas Reunidas participates generate various positive impacts on their environment:

- Employment generation in the local environment
- Contracting with local suppliers and subcontractors, which in turn reinforces the Company's positive economic contribution to the local environment (€2,951.99 million in local procurement and contracting in 2018, representing 89% of the total).

## CONSOLIDATED MANAGEMENT REPORT FOR 2018

- Training for local companies and workforces through courses and workshops organised by the Company.
- Strengthening of the local business network.
- Creation of key energy infrastructures through the Company's projects

During 2018, the Company has not identified any centres with significant negative impacts, real or potential, on local communities due to the development of Técnicas Reunidas' projects or operations.

### 13.7.2 Partnership or sponsorship actions

Beyond the context of its projects, Técnicas Reunidas maintains four areas of work (education, social and business initiatives, culture and science and research) that demonstrate its commitment to social action, implemented through numerous activities and projects.

When implementing them, the Company seeks out other organisations that share its objectives and assesses possible collaborations, both economic and through other mechanisms such as participation in working groups, forums, etc. Among others, following actions stand out:

#### Main organisations Técnicas Reunidas collaborates with



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At the sectoral level, Técnicas Reunidas participates in various associations related to its business activities, collaborating on initiatives including those related to the promotion of business and entrepreneurial activity, and other organisations that promote transparency and CSR.

### Promotion of business and entrepreneurial activity



### 13.7.3 Subcontracting and suppliers

Técnicas Reunidas' main aim in managing its supply chain is to achieve competitive procurement of materials, equipment and assembly services in line with the standards demanded by the sector. It is also crucial for the Group's supply chain to be aligned with its values and requirements in terms of health and safety, environment, workers' rights, respect for human rights, ethics and integrity.

As part of this commitment, the Company requires companies in its supply chain to adhere to the Code of Conduct for Company suppliers and subcontractors by means of their registration on the e-supplier web portal. Alongside this, Técnicas Reunidas has a series of specific requirements on environmental and labour matters and the protection of human rights, including specific requirements in line with standard ISO 14001, compliance with environmental legislation and sustainability reporting. Furthermore, this year the Company has approved its *Policy on Links with Business Partners* regulating the due diligence processes on suppliers and subcontractors, among other matters.

Técnicas Reunidas maintains a global database comprising 24,258 materials suppliers and construction subcontractors, including 2,095 suppliers and 493 subcontractors that have already been approved by the Company. This global supplier market with updated information allows the Company to mitigate the risk in the selection of suppliers and subcontractors from the financial, performance and quality points of view, among other aspects.

Due to the nature of its business, each year the Company handles high volumes of purchases and subcontracts. In 2018, the total spending on purchases from suppliers of materials and engineering subcontracts stood at €3,333.80 million. Furthermore, in relation to the employees of construction subcontractors, these exceeded 52,300 workers on average assigned to Técnicas Reunidas projects (and more than 56,800 at peak times).

To manage this complex supply chain, TR has a management framework governing the two main areas responsible for the supply chain: The Procurement Unit (responsible for purchases from suppliers of materials and equipment) and the Construction Area (responsible for construction subcontracting). These two areas manage TR's supply chain based on five lines:

- Constant innovation in the management of the supply chain.
- Presence of rules and regulations in all processes (bidding, award and management).
- Development of annual internal strategic plans in line with TR's overall objectives and responding to the business context.
- Existence of an Integrated Management System that enables both individual and global evaluation and monitoring of suppliers' and subcontractors' performance.
- Centralised contract award system that ensures transparency throughout the award procedure for suppliers and subcontractors.

As described in section 13.5, as part of its relations with its suppliers and subcontractors, TR considers matters related to their social and environmental responsibility. These aspects are not only considered in the approval process, but are kept in mind throughout the relationship with suppliers, monitoring their compliance.

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Following the delivery of the supply or completion of assembly services, the supplier's performance is assessed based on different aspects. The results of evaluations are disclosed and serve as a reference in identifying improvement actions. Safety and environmental performance are two of the aspects included in Técnicas Reunidas' evaluations. Since 2014, the Company has required a specific audit report on these areas based on information gathered during inspection visits to the workshops.

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

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

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

During 2018, a total of 190 HSE audits were conducted, of which 161 were successfully passed, and 29 that were unsatisfactory. All audits featuring incidents will be appropriately addressed by TR with the implementation of improvement plans.

With regard to impacts, no significant actual or potential negative environmental or social impacts were identified in the supply chain during 2018, having analysed a total of 724 suppliers on the basis of social and environmental criteria.

### **13.7.4 Consumers**

Técnicas Reunidas has no consumers, based on the consideration of this concept under Spanish legislation.

The Company evaluates 100% of its projects from the point of view of health and safety. Up to the time of delivery, TR ensures that its projects meet both its own health and safety standards, as well as those required by the customer and applicable law.

With regard to complaints mechanisms, given the Company's activity, TR does not deal directly with consumers. Customers can use the contractual claims mechanisms agreed in each case and, like any other business partner related to TR, they can use the Whistleblower Channel of the Técnicas Reunidas Code of Conduct.

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### 13.7.5 Tax information

- Operating profit earned by geographic area

Country-by-country information is not supplied due to its sensitive nature in the Group's commercial action.

- Corporate income tax paid

<u>Geographical area</u>	<u>Thousands of euros</u>
	<u>Corporate income tax paid</u>
America	19,464
Asia	2,002
Spain	(9,917)
Europe	1,182
Mediterranean	3,040
Middle East	835
	<u><u>16,606</u></u>

The corporate income tax paid in Spain in FY 2018 was negative due to the high volume of returns related to surplus prepayments made in FY 2017 for an amount of €27,593 thousand.

- Public subsidies received: €597 thousand.

### 13.8 About the non-financial information statement

By means of this non-financial information statement, TR responds to the requirements of Spanish Law 11/2018, of 28 December. Its contents are based on the period reporting carried out by the Company in this field through the annual Integrated Report drawn up in accordance with the GRI sustainability reporting framework and the IIRC Integrated Reporting framework.

To design the contents of this report and select the most relevant aspects, TR has conducted a materiality analysis that has allowed it to identify the most relevant aspects to be reported to its stakeholders, and to respond to the requirements for reporting non-financial information based on current regulations. In those cases where the information required by law is published for the first time or the perimeter varies significantly compared to previous years, the information for the current financial year is presented. For information already published where the perimeter has not changed, the non-financial information statement contemplates comparative data from previous years.

In addition, in all aspects that are not material for Técnicas Reunidas, this report addresses the management approach but does not give detailed information on KPIS or other quantitative indicators, given that these are not considered as representative of the group's activities. The non-material aspects for the Company demanded by law are as follows: light and noise pollution, water consumption, food waste and biodiversity. For further information on the methodology used to conduct the materiality analysis, please see the chapter "Reporting Practice for the Integrated Report", of TR's 2017 report, available on the corporate website.

Additionally, Técnicas Reunidas has prepared a traceability analysis that links aspects of the law with the associated GRI contents, published by the Company. See the table of contents in the table attached below:

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**Table of compliance with Spanish Law 11/2018, of 28 December**

Content	Section	Associated GRI indicator
<b>Business model</b>		
- Corporate environment and business model	13.1.1.- 13.1.4.	102-2
- Markets in which the Company operates	13.1.4	102-6
- Objectives and strategies	13.1.6	102-14
- Factors and trends affecting the evolution	13.1.5	102-15
<b>Policies</b>	13.2.; 13.3.1.; 13.4.2; 13.4.4; 13.4.5.; 13.4.6.; 13.5.; 13.6.1; 13.7.1; 13.7.3.	103 - Management approach for each material issue
<b>Risks</b>	13.2.	102-15
<b>Environmental issues</b>		
<b>Global</b>		
- Effects of the Company's activities on the environment and on health and safety	13.3.	103 - Management approach for each material issue related to the Environment
- Precautionary principle, provisions and guarantees against environmental risk	13.3.7	102-11
- Resources assigned to prevention of environmental risks	13.3.8	103 - Management approach for each material issue related to the Environment
<b>Pollution</b>		
- Measures associated with carbon emissions	13.3.2	103 - Emissions
- Measurements associated with light, noise and other types of pollution	13.3.2	Non-material / 103-biodiversity

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<b>Circular economy and waste prevention and management</b>		
- Initiatives for promoting the circular economy	13.3.3	103 - Waste
- Measures associated with waste management	13.3.3	306-2
- Actions to combat food waste	13.3.4	103 - Waste
<b>Sustainable use of resources</b>		
- Water: consumption and supply	13.3.5	Non-material/103 - water
- Raw materials: consumption and measures	13.3.5	301-1
- Energy: consumption, measures and use of renewable sources	13.3.5	302-1
<b>Climate Change</b>		
- Greenhouse gas emissions	13.3.2	305-1/ 305-2/ 305-3
- Climate change adaptation measures	13.3.2	103 - Emissions
- Emissions reduction targets	13.3.2	103 - Emissions
<b>Biodiversity</b>		
- Preservation measures	13.3.6	Non-material/ 103 - Biodiversity
- Impacts caused in protected areas	13.3.6	Non-material /304-2
<b>Social and personnel issues</b>		
<b>Employment</b>		
- Total number of staff and distribution by gender, age, country and professional classification	13.4.1	102-8/405-1
- Total number and distribution of employment contract types	13.4.1	102-8
- Annual average of permanent, temporary and part-time contracts by gender, age and professional classification.	13.4.1	102-8/405-1
- Number of dismissals by gender, age and professional category	13.4.1	401-1
- Average compensation broken down by gender, age and professional category or equivalent value	13.4.1	405-2



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- Wage gap, remuneration for equal work positions or company average	13.4.1	405-2
- Average remuneration of directors and executives	13.4.1	102-35
- Disconnection from work policies	13.4.2	103- Employment
- Disabled employees	13.4.3	405-1
<b>Organisation of work hours</b>		
- Work organisation	13.4.2	103- Employment
- Number of hours of absenteeism	13.4.6	403-2
- Work-life balance measures	13.4.2	103- Employment
<b>Health and safety</b>		
- Occupational health and safety conditions	13.4.6	103- Occupational Health and Safety
- Work-related accidents, in particular their rate and severity	13.4.6	403-2
- Work-related illness, broken down by gender	13.4.6	403-2
<b>Labour relations</b>		
- Organisation of social dialogue	13.4.7	103- Worker-company relations
- Percentage of workers covered by collective agreements by country	13.4.8	102-41
- Balance of collective agreements on occupational health and safety	13.4.8	403-4
<b>Training.</b>		
- Policies implemented in the field of training	13.4.4	103- Training and education
- Total number of training hours by professional category	13.4.4	404-1
<b>Universal accessibility for disabled people</b>		103 - Diversity and equal opportunities/103 - Non-discrimination

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<b>Equality</b>		
- Measures adopted to promote equality, equality plans and non-discrimination and diversity management policy	13.4.5	103- Diversity and equal opportunity / 103 - Non-discrimination
<b>Human Rights</b>		
- Due diligence procedures for human rights matters and if applicable, mitigation, management and repair	13.5.	102-16/102-17/103-Evaluation or Human Rights/103- Freedom of association and collective bargaining/103- Child labour/103- Forced or compulsory labour
- Complaints about cases of human rights violations	13.5.	406-1
- Promotion and compliance with ILO conventions related to freedom of association and collective bargaining	13.5.	407-1
- Elimination of discrimination at work, forced or compulsory labour or child labour	13.5.	408-1/409g-1
<b>Corruption and bribery</b>		
- Measures taken to prevent corruption and bribery	13.6.1	103- Anti-corruption
- Anti-money laundering measures	13.6.1	103- Anti-corruption
- Contributions to foundations and non-profit entities	13.6.2	413-1
<b>Company</b>		
<b>Commitments of the Company to sustainable development</b>		
- Impact of the Company's activity: employment, local development, local populations and territory	13.7.1	103 - Local communities/ 103- Indirect Economic impacts
- Dialogue with local communities	13.7.1	413-1
- Partnership or sponsorship actions	13.7.2	102-12/102-13
<b>Subcontracting and suppliers</b>		
- Inclusion in the purchasing policy of social issues, gender equality and environmental issues.	13.7.3	102-9
- Consideration in the relations with suppliers and subcontractors of their social and environmental responsibility	13.7.3	103- Management Approach procurement practices
- Supervision systems and audits and their results	13.7.3	308-2/414-2

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### Consumers

- |  |        |                                       |
|--|--------|---------------------------------------|
| - Measures for the health and safety of consumers              | 13.7.4 | 416-1/103- Customer health and safety |
| - Claims systems, complaints received and complaint resolution | 13.7.4 | 103- Customer health and safety       |

### Tax information

- |  |        |                           |
|--|--------|---------------------------|
| - Operating profit earned by geographic area | 13.7.5 | 103- Economic performance |
| - Corporate income tax paid                  | 13.7.5 | 103- Economic performance |
| - Public subsidies received                  | 13.7.5 | 201-4                     |



**TÉCNICAS REUNIDAS, S.A.**

Independent Verification Report  
31 December 2018



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

## INDEPENDENT VERIFICATION REPORT

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

Pursuant to Article 49 of the Code of Commerce, we have verified, under a limited assurance scope, the accompanying Non-financial information statement (“NFIS”) for the year ended 31 December 2018 of Técnicas Reunidas, S.A. and its subsidiary companies (hereinafter Técnicas Reunidas, the entity or the Group) which forms part of Técnicas Reunidas’ Consolidated Directors’ Report (hereinafter CDR).

### **Responsibility of the Board of Directors**

The preparation of the NFIS included in Técnicas Reunidas’ Consolidated Directors’ Report and the content thereof are the responsibility of the Board of Directors of Técnicas Reunidas, S.A. The NFIS has been drawn up in accordance with the provisions of current commercial legislation and with the Sustainability Reporting Standards of the Global Reporting Initiative (“GRI Standards”) described in line with the details provided for each matter in the table included in the section 13.8 named “About the non-financial information statement - Table of compliance with Spanish Law 11/2018, of 28 December”, in the accompanying NFIS.

This responsibility also includes the design, implementation and maintenance of internal control considered necessary to allow the NFIS to be free of material impropriety, due to fraud or error.

The directors of Técnicas Reunidas are also responsible for defining, implementing, adapting and maintaining the management systems from which the information required to prepare the NFIS is obtained.

### **Our independence and quality control**

We have complied with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (“IESBA”) which is based on the fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and therefore has in place a global quality control system which includes documented policies and procedures related to compliance with ethical requirements, professional standards and applicable legal and regulatory provisions.

The engagement team has been formed by professionals specialized in non-financial information reviews and specifically in information on economic, social and environmental performance.



### **Our responsibility**

Our responsibility is to express our conclusions in an independent limited verification report based on the work carried out in relation solely to FY 2018. The data relating to previous years were not subject to the verification envisaged in current commercial legislation. Our work has been carried out in accordance with the requirements laid down in the current International Standard on Assurance Engagements (ISAE) 3000 Revised, Assurance Engagements Other than Audits or Reviews of Historical Financial Information (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and with the Guidelines for verification engagements on non-financial statements issued by the Spanish Institute of Auditors (“Instituto de Censores Jurados de Cuentas de España”).

In a limited guarantee engagement, the procedures performed vary in terms of their nature and timing of execution, and are more restricted than those carried out in a reasonable guarantee engagement. Accordingly, the assurance provided is substantially lower.

Our work has consisted of posing questions to the Management and several Técnicas Reunidas’ units that were involved in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and review sampling tests, as described below:

- Meetings with Técnicas Reunidas personnel to ascertain the business model, policies and management approaches applied and the main risks related to these matters, and to obtain the information required for the external review.
- Analysis of the scope, relevance and integrity of the content included in the NFIS for 2018 based on the materiality analysis carried by Técnicas Reunidas, considering the content required under current commercial legislation.
- Analysis of the procedures used to compile and validate the information presented in NFIS for 2018.
- Review of information concerning risks, policies and management approaches applied in relation to material issues presented in the NFIS for 2018.
- Verification, by means of tests, through sample testing, of the information relating to the content of the NFIS for 2018 and its adequate compilation using data supplied by Técnicas Reunidas’ information sources.
- Obtainment of a management representation letter from the management.

### **Basis for a conclusion with qualifications**

According to the section “13.7.5 Tax information” of the NFIS, Técnicas Reunidas does not incorporate any information about the benefits per country required by Article 49.6 of the Code of Commerce, as it is considered that this information detailed per country may affect negatively Técnicas Reunidas’ commercial interests.



### **Conclusion with qualifications**

Based on the procedures performed and on the evidence we have obtained, except for the effects of the matters described in the paragraph “Basis for a conclusion with qualifications”, no additional aspects have come to our attention that would lead us to believe that the NFIS of Técnicas Reunidas, S.A. and its subsidiaries for the year ended 31 December 2018 has not been prepared, in all relevant aspects, in accordance with the terms of current mercantile legislation and following the criteria of GRI standards as described for each area in the table included in section 13.8 named “13.8 About the Non-financial information statement - Table of compliance with Spanish Law 11/2018, of 28 December” of the above mentioned NFIS.

### **Use and distribution**

This report has been drawn up in response to the requirement laid down in current Spanish commercial legislation and therefore might not be suitable for other purposes or jurisdictions.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by  
Pablo Bascones

28 February de 2019