

ANNEX I

ANNUAL CORPORATE GOVERNANCE REPORT
FOR PUBLIC LIMITED COMPANIES

ISSUER'S IDENTIFICATION DATA

DATE OF FISCAL YEAR END	31/12/2017
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CORPORATE TAX ID NO. (CIF)	A-28092583
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CORPORATE NAME
TÉCNICAS REUNIDAS, S.A.

REGISTERED OFFICE
CALLE ARAPILES, 14, MADRID

ANNUAL CORPORATE GOVERNANCE REPORT
FOR PUBLIC LIMITED COMPANIES

A - OWNERSHIP STRUCTURE

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

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

Indicate whether there are different share classes with different associated rights:

Yes

No

A.2 Provide details of the direct or indirect holders of significant shares in your company at the close of the fiscal year, excluding directors:

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
ARALTEC CORPORACIÓN, S.L.U.	17,882,564	0	31.99%
ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	2,848,383	0	5.10%
NORGES BANK	1,690,584	0	3.02%
ARIEL INVESTMENTS, LLC	1,680,821	0	3.01%
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	0	1,676,830	3.00%
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD.	0	620,139	1.11%

Name or corporate name of the indirect shareholder	Held through: name or corporate name of the direct shareholder	Number of voting rights
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	1,676,830
CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD.	CITADEL MULTI-STRATEGY EQUITIES MASTER FUND LTD.	620,139

Indicate the most significant changes in the shareholding structure during the fiscal year:

A.3 Complete the following tables on members of the company's board of directors with voting rights from company shares:

Name or corporate name of the director	Number of direct voting rights	Number of indirect voting rights	% of total voting rights
FERNANDO DE ASÚA ÁLVAREZ	0	15,000	0.03%
PEDRO LUIS URIARTE SANTAMARINA	6,700	3,300	0.02%
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	60 000	20,730,947	37.20%
DIEGO DEL ALCÁZAR Y SILVELA	1,129	3,671	0.01%

Name or corporate name of the indirect shareholder	Held through: name or corporate name of the direct shareholder	Number of voting rights
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FERNANDO DE ASÚA ÁLVAREZ	SUALFER INVERSIONES SICAV, S.A.	15,000
PEDRO LUIS URIARTE SANTAMARINA	CASTILLO DEL POMAR, S.L.	3,300
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC CORPORACIÓN, S.L.U.	17,882,564
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	2,848,383
DIEGO DEL ALCÁZAR Y SILVELA	MARÍA BENJUMEA CABEZA DE VACA	3,671

Total % of voting rights held by the board of directors	37.26%
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Complete the following tables on members of the company's board of directors who hold rights over company shares:

A.4 Indicate, where applicable, any familial, commercial, contractual or corporate relationships between the holders of significant shares, to the extent that these are known to the company, unless they are of negligible relevance or derive from the ordinary course of business:

A.5 Indicate, where applicable, any commercial, contractual or corporate relationships between the holders of significant shares and the company and/or its group, unless these are of negligible relevance or derive from the ordinary course of business:

A.6 Indicate whether the company has been informed of any shareholders' agreements which might affect it, in accordance with the provisions of Articles 530 and 531 of the Companies Act. Where applicable, describe these briefly and list the shareholders bound by the agreement:

Yes No

Indicate whether the company is aware of the existence of concerted action between its shareholders. Where applicable, describe these briefly:

Yes No

If any modification or termination of these agreements or concerted action has occurred during the fiscal year, provide details below:

There were no agreements or concerted action between the Company's shareholders during fiscal year 2016.

A.7 Indicate whether there is any natural or legal person who exercises or may exercise control over the company in accordance with Article 4 of the Securities Market Act. Where applicable, identify them:

Yes No

Remarks

A.8 Complete the following tables on the company's own shares:

At fiscal year end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
2,167,274	0	3.88%

(*) Held through:

Provide details of any significant changes, in accordance with the provisions of Royal Decree 1362/2007, which occurred during the fiscal year:

Explain the significant changes
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There were no significant changes during the fiscal year. The Company has issued quarterly reports on the transactions carried out under the liquidity agreement with Santander Investment Bolsa which entered into force on 11 July 2017, in accordance with the provisions of National Securities Market Commission Circular 1/2017 of 26 April on Liquidity Agreements, for the purposes of their classification as an accepted market practice.

A.9 Provide details of the conditions and term of the current resolution by the general meeting of shareholders authorising the board of directors to issue, buy back or transfer own shares.

Resolution passed at the General Meeting of Shareholders on 29 June 2017:

(i) To authorise the Board of Directors to repurchase the Company's own shares, whether directly or through subsidiary companies, subject to the following restrictions and requirements:

- Methods of acquisition - acquisition by means of purchase, by any other inter vivos transaction on a payment basis or any other transaction allowed by law.
- Maximum number of shares to be acquired - shares may be acquired at any time up to the maximum amount permitted by law.
- Minimum and maximum acquisition price - shares may be acquired at any time within the limits of the minimum and maximum amount permitted by law.
- Maximum trading volume - the maximum daily trading volume for the acquisition of own shares will not exceed 15% of the average daily volume traded in orders in the regulated market or the Spanish multilateral trading facility in the previous thirty sessions.
- Duration of authorisation - five (5) years from the date of this resolution.

These transactions will also comply with the corresponding regulations in the Company's Internal Code of Conduct in Securities Markets.

(ii) To revoke the unused part of the authorisation agreed on this matter at the General Meeting held on 29 June 2016.

(iii) To authorise the Board of Directors to allocate all or part of its repurchased shares to remuneration schemes whose purpose or result is the award of shares or share options, in accordance with the provisions of Article 146.1(a) of the Companies Act.'

A.9bis Estimated free float:

	%
Estimated free float:	62.74

A.10 Indicate whether there are any restrictions on the transfer of securities and/or any restrictions on voting rights. Specifically, report the existence of any kind of restriction that may hinder the taking of control of the company through the acquisition of its shares on the market.

Yes No

A.11 Indicate whether the general meeting has resolved to adopt any neutralisation measures against potential takeover bids, in virtue of the provisions of Law 6/2007.

Yes No

If applicable, explain the approved measures and the terms under which the restrictions will become ineffective:

A.12 Indicate whether the company has issued any securities that are not traded on a regulated EU market.

Yes

No

Where applicable, indicate the different share classes and their corresponding rights and obligations.

B GENERAL MEETING

B.1 Indicate and, where applicable, provide details of any differences between the required minimums set out in the Companies Act and the quorum for general meetings.

Yes

No

B.2 Indicate and, where applicable, provide details of any differences from the system for passing company resolutions set out in the Companies Act:

Yes

No

Describe how this differs from the system set out in the Companies Act.

	Enhanced majority different from that established in Article 201.2 of the Companies Act for the circumstances set out in Article 194.1 of the Act	Other circumstances for enhanced majority
% established by the entity for passing resolutions	0.00%	50.01%

Describe the differences

The last paragraph of Article 20 of the Articles of Association stipulates that the general meeting may only involve itself in management matters by means of resolutions that comply with the information and majority requirements for statutory modifications set out in Article 194 of the Companies Act.

B.3 Indicate the rules applicable to amendments to the company's articles of association. Specifically, report the majorities required for amendment of the articles of association and, where applicable, the rules set out for the protection of shareholders' rights in the amendment of the articles of association.

Article 20(g) of the Articles of Association and Article 5(g) of the Regulations of the General Meeting stipulate that the General Meeting is competent to amend the Articles of Association.

Shareholders' rights in relation to General Meetings are those set out in the Companies Act, reflected in Articles 14, 16 and 17 of the Articles of Association and detailed in the Regulations of the General Meeting in the following terms:

Right to information

Article 9 states that from the date of publication of the announcement of the General Meeting until five days before the scheduled date for the General Meeting, shareholders may request any information or clarification that they consider necessary regarding items on the agenda or submit, in writing, any questions that they consider relevant.

Within the same time limit and in the same way, shareholders may request any information and clarification from the directors that they consider necessary regarding publicly available information which was submitted to the National Securities Market Commission since the last General Meeting and regarding the audit report.

Requests for information may be submitted at the registered office or sent to the Company by post or by electronic means. Electronic requests for information will be accepted provided they incorporate the sender's legally recognised electronic signature or any other mechanism considered by the Board to adequately guarantee the identification and authentication of the shareholder.

Regardless of the means used, the shareholder's request must include their name and surname(s), with proof of the number of shares that they own, in order that this information can be verified by the Company for the corresponding General Meeting. It is the shareholder's responsibility to provide evidence that the request has been sent to the Company in due form and time. The Company website will provide detailed explanations regarding the exercise of shareholders' right to information, under the terms set out in the applicable legislation.

Requests for information to which this article applies will be answered once shareholder status and identity have been verified, before the General Meeting.

Directors are obliged to provide the information in writing before the day of the meeting, except in the following cases:

- (i) the requested information is not necessary for the protection of the shareholder's rights, or there are objective grounds for considering that it could be used for purposes unrelated to the Company, or its public knowledge would harm the Company or related companies;
- (ii) the request for information or clarification is not related to items on the agenda or to publicly available information which was submitted to the National Securities Market Commission since the last General Meeting;
- (iii) the information or clarification requested could be considered unfair or excessive;
- (iv) it has been determined as such by legal or regulatory provisions or court decision;
- (v) when, prior to the request being made, the relevant information is clearly, expressly and directly available to all shareholders on the Company website in a question and answer format.

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

The means of sending the requested information will be the same as that used for the corresponding request, unless the shareholder indicates that one of the other designated means should be used. In all cases, directors may send the requested information via registered mail with acknowledgement of receipt or by Spanish burofax. Valid requests for information, clarifications or questions submitted in writing and the answers provided in writing by the Board will be posted on the Company's website.

Right to representation

Article 12 states that, without prejudice to the attendance by shareholders who are legal entities by means of their authorised representatives, any shareholder who is entitled to attend the General Meeting may be represented by a proxy, even if this proxy is not a shareholder. Additionally, shareholders with less than fifty shares may join together for the purposes of exercising their right to attend and vote at the General Meeting, appointing one of them to be their representative. A specific proxy must be appointed for each General Meeting, either in writing or by means of distance communication, as expressly set out in the notice of meeting, provided that the corresponding requirements are met and, in all cases, the identity of both the principal and the proxy can be duly verified. The same provision applies to the validity of proxies appointed by means of distance communication.

Right to remote voting

Article 24 stipulates that shareholders with the right to attendance, whether by individual entitlement or jointly with other shareholders, have the right to cast a remote vote by post or other electronic means. It authorises the Board to implement the provisions set out in the article and to establish the appropriate rules, measures and procedures in line with the available technology for the casting of remote votes and the appointment of proxies by electronic means, in compliance with the applicable legal and corporate regulations in this area.

B.4 Indicate the attendance details for the general meetings held during the fiscal year to which this report corresponds and those for the previous fiscal year:

Date of general meeting	Attendance details				Total
	% present in person	% represented by proxy	% casting remote votes		
			Electronic votes	Other votes	
29/06/2016	0.14%	61.48%	0.00%	0.00%	61.62%
29/06/2017	0.14%	61.14%	0.00%	0.00%	61.28%

B.5 Indicate whether there are any restrictions in the articles of association establishing a minimum number of shares required to attend the general meeting:

Yes No

Number of shares required to attend the general meeting	50
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B.6 Section withdrawn.

B.7 Indicate the company's web address and how to access the information on corporate governance and other information about general meetings that must be made available to shareholders through the company website.

The Company website is www.tecnicasreunidas.es. Information on corporate governance can be accessed by clicking on the 'Shareholder and Investor Information' tab and then the 'Corporate Governance' tab. Information on general meetings can be found in the same section.

C COMPANY ADMINISTRATION STRUCTURE

C.1 Board of directors

C.1.1 Minimum and maximum number of directors provided for in the articles of association:

Maximum number of directors	14
Minimum number of directors	7

C.1.2 Complete the following table detailing the members of the board:

Name or corporate name of the director	Representative	Category of director	Position on the board	Date of first appointment	Date of last appointment	Election procedure
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA		Executive director	CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JUAN LLADÓ ARBURÚA		Executive director	1st DEPUTY CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA		Independent director	2nd DEPUTY CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
FERNANDO DE ASÚA ÁLVAREZ		Independent director	3rd DEPUTY CHAIRPERSON	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
DIEGO DEL ALCÁZAR Y SILVELA		Independent director	LEAD INDEPENDENT DIRECTOR	25/03/2010	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
ÁLVARO GARCÍA-AGULLÓ LLADÓ		Shareholder director	DIRECTOR	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JOSÉ MANUEL LLADÓ ARBURÚA		Shareholder director	DIRECTOR	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE		Independent director	DIRECTOR	10/05/2006	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
JAVIER ALARCÓ CANOSA		Independent director	DIRECTOR	22/06/2007	29/06/2017	VOTE AT GENERAL MEETING OF SHAREHOLDERS
PEDRO LUIS URIARTE SANTAMARINA		Independent director	DIRECTOR	22/06/2011	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
WILLIAM BLAINE RICHARDSON		Other external director	DIRECTOR	22/06/2011	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
PETRA MATEOS-APARICIO MORALES		Independent director	DIRECTOR	29/02/2016	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS
ADRIÁN RENÉ LAJOUS VARGAS		Independent director	DIRECTOR	29/06/2016	29/06/2016	VOTE AT GENERAL MEETING OF SHAREHOLDERS

Total number of directors	13
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Indicate any withdrawals from the Board of Directors during the reporting period:

C.1.3 Complete the following tables on the members of the board and their categories:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company structure
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	CHAIRPERSON
JUAN LLADÓ ARBURÚA	1st DEPUTY CHAIRPERSON

Total number of executive directors	2
% of total of the board	15.38%

EXTERNAL SHAREHOLDER DIRECTORS

Name or corporate name of the director	Name or corporate name of the significant shareholder represented or proposing their appointment
ÁLVARO GARCÍA-AGULLÓ LLADÓ	ARALTEC CORPORACIÓN, S.L.U.
JOSÉ MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.

Total number of shareholder directors	2
% of total of the board	15.38%

INDEPENDENT EXTERNAL DIRECTORS

Name or corporate name of the director:

FERNANDO DE ASÚA ÁLVAREZ

Profile:

Qualified in Economics and Computer Science at the Complutense University of Madrid and graduated in Business Administration and Mathematics at the University of California (USA). His professional experience involves an extensive career at IBM and IBM España between 1959 and 1991, including positions as General Manager for the South America Area and later Europe, CEO of IBM España and member of the Board of Directors of IBM World Trade Corp. He was Deputy Chairperson of the Board of Grupo Banco Santander from 2004 to February 2015.

Name or corporate name of the director:

PETRA MATEOS-APARICIO MORALES

Profile:

Awarded a Doctorate (cum laude) in Economics and Business Studies from the Complutense University of Madrid and is a Professor in Financial Economics. She has been Vice President of the Executive Committee of the Spain-US Chamber of Commerce since July 2011. She has also been Executive Chairperson at Hispasat (2004-2012), Non-executive Chairperson at Hisdesat (2005-2011) and member of the Board of Directors of Solvay (2009 -2013). Her extensive academic experience (1982-2015) includes positions as Professor in Financial Economics at the Department of Business Economics and Accounting in the Faculty of Economics and Business Studies at the UNED (National Distance Education University) and Professor of Financial Economics at the Colegio Universitario de Estudios Financieros (CUNEF).

She has been a member of the National Executive Committee of the Spanish Institute of Financial Analysts (IEAF) since 2011 and a member of the Board of ANECA (2009-2015). She has also been awarded distinctions including Knight of the Legion of Honour of the French Republic, Business Leader of the Year (2010) from the Spain-US Chamber of Commerce and the Women Together Award (2009) from the United Nations Economic and Social Council (ECOSOC).

Name or corporate name of the director:

PEDRO LUIS URIARTE SANTAMARINA

Profile:

Graduated in Economics and Law at the Universidad Comercial de Deusto in Bilbao. His 46 years of experience includes 9 years in industry, 23 in finance, 10 in strategy consulting and 4 in public administration, as well as 7 years in university teaching alongside this work. In the banking sector, he was CEO (1984) and Vice-President (1997) of BBV. Following the merger of BBV with Argentaria in 1999, he was appointed CEO and Vice-President of BBVA until he took early retirement in 2001. From 1997 to 2002 he was also Deputy Chairperson of the Board of Directors of Telefónica S.A. His current professional activities include his position as CEO of Economía, Empresa, Estrategia S.A.

Name or corporate name of the director:

JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA

Profile:

Awarded a Doctorate in Industrial Engineering. He was General Manager of Manufacture and Assembly at Barreiros-Chrysler for 10 years. He also worked for five years at ITT as Operations Manager for Spain, and was CEO of Marconi Española and Vice-President of ITT España. He was Director of Planning and President of Instituto Nacional de Industria 1973-1976, CEO of Seat 1977-1984 and Chairperson of the Board of Directors of Uralita 1998-2002.

Name or corporate name of the director:

FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE

Profile:

Qualified as an Industrial Engineer, specialising in Chemistry. He has held management positions at Editorial Tania (1979-1983), Feria Internacional de Turismo (1980-1983) and Viajes Marsans (1982-1985). He was also Secretary of State for Sport (1987-1993) and Minister for Commerce and Tourism (1993-1996). He is currently CEO of MBD.

Name or corporate name of the director:

DIEGO DEL ALCÁZAR Y SILVELA

Profile:

Studied Law, Political Science and Business Administration at the Complutense University of Madrid and at the Sorbonne, and worked at Banco de Levante. He is the founder and President of the IE Business School, ranked one of the 10 leading business schools in the world by the Financial Times and Business Week. He is also President of the Fundación Instituto de Empresa. He has served as Chairperson of the Board of Directors of Fuentes de Mondariz S.A., Thomil S.A., Chocolates Eureka S.A. and member of the Board of Directors of Fundación Zubiri. He is Vice-president of the Fundación de Apoyo al Arte Hispánico.

Name or corporate name of the director:

JAVIER ALARCÓ CANOSA

Profile:

Graduated in Economics and Business Studies at the Complutense University of Madrid and holds a Master's Degree in General Management from the IESE Business School. His career includes the positions of Manager of Capital Markets and Treasury at Banco de Negocios Argentaria Madrid, General Manager and Manager of Debt Capital Markets at Banco de Negocios Argentaria, and Assistant General Manager and Manager of Capital Markets at BBVA. More recently, in 2005, he was

appointed Manager of Global Banking and Investment Banking at BBVA and, in 2007, Manager of Business and Property Projects, also at BBVA.

Name or corporate name of the director:

ADRIÁN RENÉ LAJOUS VARGAS

Profile:

Graduated in Economics at the Autonomous University of Mexico. He holds a Master's Degree in Economics from King's College, University of Cambridge. His career includes positions as Director of Inversiones Industriales in Mexico (1977-1980), Director General for Energy and Secretary of the Energy Commission in Mexico (1980-1982). He was Executive Coordinator of International Trade (1982-1988), Deputy Director of Planning and Production (1988-1994) and General Manager (1994-1999) of Petróleos de México (PEMEX). He also served as a Special Adviser on oil matters to the President of Mexico (January-November 2000) and Energy Advisor to McKinsey & Company (2001-2011).

He has been a member of the Boards of Directors of Trinity Industries, Petrométrica and Ternium, and Senior Energy Sector Advisor at Morgan Stanley. He has also been a Non-resident Fellow at Columbia University Center on Global Energy Policy, served on the Board of Governors of the Oxford Institute for Energy Studies (attached to the University of Oxford), lectured on Economics at El Colegio de México and has been a Visiting Fellow at the Kennedy School of Government, Harvard University and the University of Notre Dame.

Total number of independent directors	8
Total % of the board	61.54%

Indicate whether any independent director receives any payment or benefit from the company or its group other than their remuneration as director, and whether they maintain or have maintained a business relationship with the company or any company within its group during the last fiscal year, either in their own name or as a significant shareholder, director or senior manager of a company that maintains or has maintained such a relationship.

No.

Where appropriate, include a reasoned statement from the board, setting out the reasons why it considers that this director may perform their duties as an independent director.

OTHER EXTERNAL DIRECTORS

Identify the other external directors and provide reasons why they may not be considered shareholder directors or independent directors, indicating their links with the company, its managers or its shareholders:

Name or corporate name of the director:

WILLIAM BLAINE RICHARDSON

Company, manager or shareholder with whom they are linked:

TÉCNICAS REUNIDAS, S.A.

Reasons:

William Richardson has a contractual relationship with the Company.

Total number of other external directors	1
Total % of the board	7.69%

Indicate any changes that have occurred during the period with regard to the category of each shareholder:

C.1.4 Complete the following table on the number of female board members serving during the last 4 fiscal years, as well as their corresponding categories:

	Number of female directors				% of total directors in each category			
	FY 2017	FY 2016	FY 2015	FY 2014	FY 2017	FY 2016	FY 2015	2014
Executive director	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Shareholder director	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent director	1	1	0	0	12.50%	12.50%	0.00%	0.00%
Other external director	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total:	1	1	0	0	7.69%	7.69%	0.00%	0.00%

C.1.5 Explain any measures implemented to ensure the inclusion of sufficient female directors on the board to achieve an even balance of women and men.

Explanation of the measures

There are no underlying biases involved in the selection procedures that hinder the selection of female directors. Where the Company has had the opportunity to begin a selection procedure due to the existence of a vacancy or other factors, this procedure has actively promoted seeking female candidates.

C.1.6 Explain any measures adopted by the appointments committee to ensure that selection procedures are not biased in such a way as to hinder the selection of female directors, and to ensure that the company deliberately seeks women with the required professional profile and includes them as potential candidates:

Explanation of the measures

The composition of the Board of Directors has not changed during fiscal year 2017. Consequently, the Appointments and Remuneration Committee has not had the opportunity to begin any selection procedures.

Where, despite the measures adopted, there are few or no female directors, provide justification:

Explanation of the reasons

The current selection policy for directors led to the appointment of a female director on the last occasion that a vacancy arose on the Company's Board of Directors. It is therefore considered suitable for application during any selection procedures which may be necessary until 2020.

C.1.6bis Explain the conclusions of the appointments committee on the verification of compliance with the selection policy for directors. Specifically, explain how this policy is promoting the goal that by 2020 female directors will comprise at least 30% of the total members of the board of directors.

Explanation of the conclusions

The Company's Appointments and Remuneration Committee considers that the selection policy for directors facilitated the selection of a female director when a vacancy on the Board arose. For this reason, it concludes that the same policy should be applied when new vacancies arise, with the intention of expressly and deliberately seeking candidate profiles which match the characteristics of the vacancy to be filled and the composition of the Company's corporate bodies.

C.1.7 Explain how significant shareholders are represented on the board.

The holders of significant shares are represented on the Board by four directors, i.e. all the executive and external shareholder directors.

C.1.8 Explain, where applicable, the reasons why shareholder directors have been appointed at the request of shareholders whose equity stake amounts to less than 3% of the share capital:

Indicate whether there has been any failure to address formal requests for representation on the board from shareholders whose equity stake is equal to or higher than that of other shareholders whose requests have resulted in the appointment of shareholder directors. Where applicable, explain why the request was not addressed:

Yes

No

C.1.9 Indicate whether any director has withdrawn from their position before the end of their term of office, whether they have explained their reasons to the board and by which means and, if an explanation was issued in writing to the entire board, at least outline the reasons given:

C.1.10 Indicate, where applicable, any powers that have been delegated to the chief executive(s):

Name or corporate name of the director:

JOSÉ LLADÓ FERNÁNDEZ-URRUTIA

Brief description:

In accordance with Article 28 of the Articles of Association, the Chairperson holds all the powers of the Board of Directors except those set out in Article 25 with respect to the election of the Chairperson and the Deputy Chairpersons and those which are non-transferrable in accordance with legal provisions or the Company's internal regulations. In accordance with Article 28 of the Articles of Association, the powers held by the Chairperson may be delegated to third parties. Likewise, the Chairperson will be considered the Company's most senior executive, conferred with the powers necessary to exercise this authority and assigned, besides the other duties set out in these Articles of Association, the following duties:

- a) ensuring full compliance with the Articles of Association and faithful implementation of the resolutions of the General Meeting and the Board of Directors;
- b) undertaking senior-level inspection of the Company and all its services.

C.1.11 Identify, where applicable, any members of the board who hold directorships or management positions in other companies belonging to the same business group as the listed company:

Name or corporate name of the director	Corporate name of the entity in the group	Position	Do they have executive functions?
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	TÉCNICAS REUNIDAS INTERNACIONAL, S.A.	CHAIRPERSON	YES

Name or corporate name of the director	Corporate name of the entity in the group	Position	Do they have executive functions?
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	TÉCNICAS REUNIDAS PROYECTOS INTERNACIONALES, S.A.	DIRECTOR WITH AUTHORITY TO ACT JOINTLY	YES
JUAN LLADÓ ARBURÚA	ESPAÑOLA DE INVESTIGACIÓN Y DESARROLLO, S.A.	DEPUTY CHAIRPERSON	YES
JUAN LLADÓ ARBURÚA	EUROCONTROL, S.A.	DIRECTOR	NO
JUAN LLADÓ ARBURÚA	TÉCNICAS REUNIDAS INTERNACIONAL, S.A.	1st DEPUTY CHAIRPERSON	NO
JUAN LLADÓ ARBURÚA	EMPRESARIOS AGRUPADOS INTERNACIONAL, S.A.	CHAIRPERSON	NO
JUAN LLADÓ ARBURÚA	TÉCNICAS REUNIDAS PROYECTOS INTERNACIONALES, S.A.	DIRECTOR WITH AUTHORITY TO ACT JOINTLY	YES
JUAN LLADÓ ARBURÚA	INITEC INFRAESTRUCTURAS, S.A.U.	DIRECTOR	NO
JUAN LLADÓ ARBURÚA	INITEC PLANTAS INDUSTRIALES, S.A.U.	DIRECTOR	NO
JUAN LLADÓ ARBURÚA	EMPRESARIOS AGRUPADOS, A.I.E.	COMMITTEE MEMBER	NO

C.1.12 Provide details, where applicable, of any company directors who are also members of boards of directors of other entities listed on official securities markets and which are unrelated to its group, of which the company has been notified:

Name or corporate name of the director	Corporate name of the entity	Position
FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	PROMOTORA DE INFORMACIONES, S.A.	DIRECTOR

C.1.13 Indicate and, where applicable, explain whether the company has established rules on the number of boards on which its own directors may serve:

Yes

No

C.1.14 Section withdrawn.

C.1.15 Indicate the total remuneration for the board of directors:

Remuneration of the board of directors (thousands of euros)	4,705
Amount of the accrued entitlements corresponding to pension rights accumulated by current directors (thousands of euros)	0
Amount of the accrued entitlements corresponding to pension rights accumulated by former directors (thousands of euros)	0

C.1.16 Identify any senior managers who are not also executive directors, and indicate the total remuneration paid to them during the fiscal year:

Name or corporate name	Position
FRANCISCO MARTÍNEZ-BORDIÚ DE CUBAS	CHIEF HUMAN RESOURCES OFFICER
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	CHIEF FINANCIAL OFFICER
ANA SÁNCHEZ HERNÁNDEZ	CHIEF PROCUREMENT OFFICER
MIGUEL PARADINAS MÁRQUEZ	DEPUTY DIRECTOR GENERAL
LAURA BRAVO RAMASCO	SECRETARY OF THE BOARD OF DIRECTORS

Name or corporate name	Position
ENRIQUE RUBÉN ALSINA MASSANA	CHIEF CORPORATE DEVELOPMENT OFFICER
FELIPE REVENGA LÓPEZ	CHIEF OPERATING OFFICER
EMILIO GÓMEZ ACEVEDO	CHIEF LEGAL OFFICER
JOSÉ MARÍA GONZÁLEZ VELAYOS	INTERNAL AUDITOR
ARTHUR W. CROSSLEY SANZ	GENERAL MANAGER OF UPSTREAM & GAS
CÉSAR SUÁREZ LEOZ	MANAGER OF THE ENERGY DIVISION
JOSÉ LUIS GUTIÉRREZ REXACH	DEPUTY MANAGER OF UPSTREAM & GAS

Total senior management remuneration (thousands of euros)	4,889
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C.1.17 Identify, where applicable, any members of the board who are also members of boards of directors of companies that are significant shareholders and/or entities in their group:

Name or corporate name of the director	Corporate name of the significant shareholder	Position
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.	DIRECTOR WITH AUTHORITY TO ACT INDIVIDUALLY
JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC CORPORACIÓN, S.L.U.	SOLE DIRECTOR

Provide details, where applicable, of any relevant relationships other than those set out in the previous section that link members of the board of directors with significant shareholders and/or entities in their group:

Name or corporate name of the related director:

JOSÉ LLADÓ FERNÁNDEZ-URRUTIA

Name or corporate name of the related significant shareholder:

ARALTEC CORPORACIÓN, S.L.U.

Description of the relationship:

JOSE LLADO FERNANDEZ-URRUTIA IS INDIRECT HOLDER OF 93.18% OF THE SHARE CAPITAL.

Name or corporate name of the related director:

JOSÉ LLADÓ FERNÁNDEZ-URRUTIA

Name or corporate name of the related significant shareholder:

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.

Description of the relationship:

JOSE LLADO FERNANDEZ-URRUTIA IS INDIRECT HOLDER OF 75.75% OF THE SHARE CAPITAL.

Name or corporate name of the related director:

JUAN LLADÓ ARBURÚA

Name or corporate name of the related significant shareholder:

ARALTEC CORPORACIÓN, S.L.U.

Description of the relationship:

JUAN LLADÓ ARBURÚA IS INDIRECT HOLDER OF 1.36% OF THE SHARE CAPITAL.

Name or corporate name of the related director:

JUAN LLADÓ ARBURÚA

Name or corporate name of the related significant shareholder:

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.

Description of the relationship:

JUAN LLADÓ ARBURÚA IS INDIRECT HOLDER OF 4.85% OF THE SHARE CAPITAL.

Name or corporate name of the related director:

JOSÉ MANUEL LLADÓ ARBURÚA

Name or corporate name of the related significant shareholder:

ARALTEC CORPORACIÓN, S.L.U.

Description of the relationship:

JOSÉ MANUEL LLADÓ ARBURÚA IS INDIRECT HOLDER OF 1.36% OF THE SHARE CAPITAL.

Name or corporate name of the related director:

JOSÉ MANUEL LLADÓ ARBURÚA

Name or corporate name of the related significant shareholder:

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.U.

Description of the relationship:

JOSÉ MANUEL LLADÓ ARBURÚA IS INDIRECT HOLDER OF 4.85% OF THE SHARE CAPITAL.

C.1.18 Indicate whether any changes were made to the regulations of the board during the fiscal year:

Yes

No

C.1.19 Indicate the procedures for the selection, appointment, re-election, evaluation and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria to be used in each of the procedures:

Appointment --

Article 17 of the Regulations of the Board of Directors stipulates the following:

Article 17 - Appointment of Directors

Directors will be appointed, subject to a report from the Appointments and Remuneration Committee, at the General Meeting or by the Board of Directors, in accordance with the provisions of the Companies Act.

Without prejudice to the above, appointment of independent directors will be at the proposal of the Appointments and Remuneration Committee.

At the same time, Article 18 of the Regulations of the Board of Directors stipulates the following:

Article 18 - Appointment of External Directors

The Board of Directors must ensure that candidates for appointment are persons with verified solvency, competence and experience, and must exercise due rigour in relation to the appointment of independent directors, in accordance with Article 6 of these Regulations.

Re-election --

Article 19 of the Regulations of the Board of Directors stipulates the following:

Article 19 - Re-election of Directors

Before proposing the re-election of directors to the General Meeting, the Board of Directors, excluding the persons concerned and in accordance with the provisions of Article 22.1 of these Regulations, will evaluate the proposed directors' quality of work and dedication to duties during the preceding term of office.

Article 5.6 of the Regulations of the Board of Directors stipulates the following:

The Board of Directors must carry out an annual evaluation of its operation (based on the Report by Appointments and Remuneration Committee) and that of its committees and their chairpersons, on the basis of which it will propose a plan of action to rectify any identified deficiencies.

Removal –

Article 20 of the Regulations of the Board of Directors stipulates the following:

Article 20 - Term of Office

1. Directors will serve on the board for a term of four (4) years, without prejudice to the possibility that they may be removed before this time by the General Meeting. At the end of their term of office, they may be re-elected one or more times for terms of equal duration.
2. Directors' appointments will expire when, at the end of their term of office, the next General Meeting has been held or the legal deadline has passed for holding the General Meeting at which the previous year's accounts must be approved.
3. Any vacancies that arise may be filled by the Board of Directors by co-option, in accordance with the law. If vacancies arise after the General Meeting has been convened and before the date on which it is held, the Board will reserve its powers of co-option until the following General Meeting.
4. Directors appointed by co-option must have their positions ratified on the date of the first General Meeting immediately following their appointment.
5. Directors who resign their position or, for any other reason, cease to discharge their duties may not serve as directors or hold management positions at any other entity with a similar corporate purpose to that of the Company for a period of two (2) years.

The Board of Directors, if it considers it appropriate, may release outgoing directors from this obligation or shorten its duration.

Requirements, term of office and re-election of directors -

Article 22.4 of the Articles of Association stipulates the following:

Directors will hold their positions for a period of four years, unless removed by means of the General Meeting. They may be re-elected one or more times for terms of equal duration. Directors will be appointed in accordance with the provisions of Article 214 and other related articles of the Companies Act.

At the same time, Article 21 of the Regulations of the Board of Directors stipulates the following:

Article 21- Removal of Directors

1. Directors will cease their duties when the term of office for which they were elected has expired or as determined by the General Meeting in the exercise of its legally or statutorily assigned powers. In the case of independent directors, this will occur when they have held their position for an uninterrupted period of 12 years, from the time that the Company's shares were first traded in the Securities Market.
2. Directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation in the following cases:
 - a) when they no longer hold the executive position that was associated with their appointment as director;
 - b) when they fall within the scope of cases of conflict of interest or prohibitions set out in law;
 - c) when they have received a serious reprimand from the Board of Directors for breach of their obligations as directors;
 - d) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).
3. Directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings. As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation.

C.1.20 Explain to what extent the board's annual evaluation has led to significant changes in its internal organisation and the procedures applicable to its activities:

Description of changes

Since the self-assessment demonstrated that the Board's composition, internal organisation, operation and frequency of meetings were satisfactory, it did not lead to any significant changes in its internal organisation or in the procedures applicable to its activities. Nevertheless, the Company has initiated various activities as a result of the Board's annual assessment, including a training plan for directors, whose sessions will continue during fiscal year 2018.

C.1.20bis Describe the assessment process and the areas evaluated by the board of directors, assisted where appropriate by an external consultant, with regard to the diversity of its composition and powers, the operation and composition of its committees, the performance of the chairperson of the board of directors and the company's chief executive, and the performance and contribution of each director.

The assessment process has involved the assistance of an external consultant and the areas reviewed have included the diversity of the Board's composition and powers, the operation and composition of its committees, the performance of the Chairperson of the Board of Directors and the Company's chief executive, and the performance and contribution of each director. The process has involved the external consultant's analysis of each director's responses to a specific questionnaire, with the aim of obtaining a homogeneous outcome from the Board of Directors as a collective body.

C.1.20ter Provide a breakdown, where applicable, of any business relationships between the consultant or any company in their group and the company or any company in its group.

The consultant provides specific services to the Company and some other entities in its group.

C.1.21 Indicate the circumstances under which directors are obliged to resign.

In accordance with the provisions of Article 21.2 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation in the following cases:

- a) when they no longer hold the executive position that was associated with their appointment as director;
- b) when they fall within the scope of cases of conflict of interest or prohibitions set out in law;
- c) when they have received a serious reprimand from the Board of Directors for breach of their obligations as directors;
- d) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

In addition, Article 24 of the Articles of Association stipulate that all directors will retire from office at the end of the term for which they were appointed, or because of their death, resignation, incapacity or removal as agreed by the General Meeting.

C.1.22 Section withdrawn.

C.1.23 Are enhanced majorities, other than those stipulated by law, required for any type of decision?

Yes

No

Where applicable, describe the differences.

C.1.24 Explain whether there are specific requirements, other than those relating to directors, for appointment as chairperson of the board of directors.

Yes

No

Description of requirements

Article 18.2 of the Regulations of the Board of Directors stipulates that the Chairperson of the Board of Directors must be an executive director.
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C.1.25 Indicate whether the chairperson has a casting vote:

Yes

No

Matters on which there is a casting vote

The Chairperson will have the casting vote whenever a tie occurs during any vote, in accordance with the provisions of paragraph 2 of Article 26 of the Articles of Association and Article 16.4 of the Regulations of the Board of Directors.

C.1.26 Indicate whether the articles of association or the regulations of the board establish any age limits for directors:

Yes

No

C.1.27 Indicate whether the articles of association or the regulations of the board establish a limited term of office for independent directors, other than that set out in the regulations:

Yes

No

C.1.28 Indicate whether the articles of association or the regulations of the board of directors establish specific rules on the appointment of proxies within the board of directors, how this is undertaken and, specifically, the maximum number of proxies that a director may have, and whether there is any restriction on the categories from which a proxy may be appointed, other than the restrictions imposed by legislation. Where applicable, briefly detail these rules.

Article 16 of the Regulations of the Board of Directors stipulates that directors must do everything in their power to ensure that they attend Board meetings. When unable to attend in person, they will appoint another member of the Board as their proxy, in writing and specifically for each session, including the appropriate instructions and notifying the Chairperson of the Board of Directors. Notwithstanding the above, non-executive directors may only appoint another non-executive director as their proxy.

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

C.1.29 Indicate the number of meetings that the board of directors held during the fiscal year. Also indicate, where applicable, the number of times that the board met without the chairperson's attendance. Proxies with specific instructions will be considered as attendances:

Number of board meetings	8
Number of board meetings without the chairperson's attendance	0

If the chairperson is an executive director, indicate the number of meetings held without the attendance or representation of any executive director and chaired by the lead independent director:

Number of meetings	0
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Indicate the number of meetings held by the board's various committees during the fiscal year:

Committee	No. of meetings
AUDIT AND CONTROL COMMITTEE	10
APPOINTMENTS AND REMUNERATION COMMITTEE	5

C.1.30 Indicate the number of meetings that the board of directors held during the fiscal year with the full attendance of all its members. Proxies with specific instructions will be considered as attendances:

Number of meetings with full attendance by all directors	8
% attendance of the total votes during the fiscal year	100.00%

C.1.31 Indicate whether the annual stand-alone and consolidated financial statements submitted to the board for approval are certified before submission:

Yes No

Identify, where applicable, the person(s) who certified the company's stand-alone and consolidated financial statements before their submission to the board:

Name	Position
EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	Chief Financial Officer

C.1.32 Explain any mechanisms established by the board of directors to ensure that the stand-alone and consolidated financial statements which it has drawn up are not submitted to the general meeting with a qualified opinion in the audit report.

Article 39.3 of the Regulations of the Board of Directors stipulates that the Board must endeavour to draw up the financial statements so as to ensure that there are no grounds for the auditor to issue a qualified opinion. Nevertheless, when the Board considers that it must uphold an opinion, it will issue a public explanation of the content and scope of any discrepancies.

Likewise, the Audit and Control Committee will generally meet on a quarterly basis, for the purpose of reviewing the periodic financial reports that must be submitted to the stock exchange authorities, together with the information that the Board of Directors must approve and include within its annual public reporting.

Additionally, Article 13.2 of the Regulations of the Board of Directors assigns the Audit Committee the following functions:

- Reviewing the Company's accounts and monitoring compliance with legal requirements and the correct application of accounting principles, with the direct collaboration of internal and external auditors.
- Supervising the process of preparing and presenting the Company's mandatory financial reports and, where appropriate, submitting recommendations or proposals to the Board of Directors aimed at safeguarding integrity, verifying compliance with regulatory requirements and the correct application of accounting principles. Understanding, monitoring and verifying the adequacy and integrity of the Company's internal control systems, and reviewing the appointment or replacement of senior management.
- Supervising, on a regular basis, the efficiency of the Company's internal control system, the internal audit and the risk management systems, as well as addressing, together with the auditor, any significant weaknesses in the internal control system detected during the audit, all without undermining their independence. For this purpose, when appropriate, the Committee may submit recommendations or proposals to the Board of Directors and the corresponding time limit for their follow-up.
- Reviewing the periodic financial reports that, as a listed company, the Company must provide to the markets and their supervisory bodies, ensuring that interim accounts are drawn up using the same accounting principles as the annual financial statements.

Finally, it should be noted that among these mechanisms, the Company has promoted and approved the implementation of an Internal Audit Plan for fiscal year 2017, which focuses on aspects specific to the auditing of subsidiaries and the review of information flows in the financial reporting.

C.1.33 Is the secretary of the board also a director?

Yes No

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

Name or corporate name of the secretary	Representative
LAURA BRAVO RAMASCO	

C.1.34 Section withdrawn.

C.1.35 Indicate any mechanisms established by the company to safeguard the independence of the external auditors, financial analysts, investment banks and rating agencies.

Article 39 of the Regulations of the Board stipulates that the Audit Committee must not propose to the Board of Directors and, in turn, the Board must not submit to the General Meeting the appointment as auditor of the Company's accounts of any auditing firm that falls within the scope of incompatibilities set out in current accounting legislation, nor any firms where the fees expected to be paid by the Company, for all services, are higher than five per cent of total income for the previous fiscal year.

The Audit Committee is, therefore, responsible for maintaining the appropriate relationships with the Company's external auditors, receiving information on any issues that might undermine their independence and any other issues related to the performance of the auditing, as well as any other communications provided for in the auditing legislation and technical auditing standards, in accordance with Article 29.1(e) of the Articles of Association and Article 13.2 of the Regulations of the Board of Directors.

In addition, and for the purposes of safeguarding auditor independence, the Audit Committee has agreed to limit the amount payable for services invoiced by the auditing firm for non-audit services.

At the same time, Article 38 of the Regulations of the Board governs the Company's relationships with the markets in general and therefore with entities including financial analysts and investment banks, with whom Técnicas Reunidas maintains a relationship based on the principles of transparency and non-discrimination. The Company coordinates its dealings with these entities, managing both their requests for information and those from institutional and individual investors. With regard to rating agencies, the Company is not subject to credit ratings.

C.1.36 Indicate whether the company changed its external auditor during the fiscal year. If so, identify the incoming and outgoing auditors:

Yes

No

Outgoing auditor	Incoming auditor
None	Deloitte, S.L. (joint auditor with PricewaterhouseCoopers Auditores, S.L.)

If there were any disagreements with the outgoing auditors, explain their basis:

Yes

No

C.1.37 Indicate whether the auditing firm carries out any non-audit work for the company and/or its group and, where applicable, state the fees for this work and the percentage this represents of all fees invoiced to the company and/or its group:

Yes

No

	Company	Group	Total
Fees for non-audit work (thousands of euros)	315	445	760

	Company	Group	Total
Fees for non-audit work/total amount invoiced by the auditing firm (%)	27.99%	19.81%	47.80%

C.1.38 Indicate whether the audit report on the financial statements for the previous fiscal year includes any reservations or qualified opinions. If applicable, indicate the explanations given by the chairperson of the audit committee on the content and scope of these reservations or qualified opinions.

Yes

No

C.1.39 Indicate the number of consecutive fiscal years during which the current auditing firm has been auditing the financial statements of the company and/or its group. Likewise, indicate the percentage represented by the number of fiscal years for which the current auditing firm has been the auditor with respect to the total number of fiscal years in which the financial statements have been audited:

	Company	Group
Number of consecutive fiscal years	1	1
No. of fiscal years of auditing by the current auditing firm/No. of fiscal years in which the company has been audited (%)	8.25%	8.25%

C.1.40 Indicate whether there is any procedure through which the directors may have recourse to external advice:

Yes

No

Details of the procedure

Article 24 of the Regulations of the Board, which governs directors' assistance by experts, provides that directors may request information on any aspect of the Company and examine its books, records, documents and other documentation. The request must relate to specific problems of a certain importance and complexity that arise during the performance of duties.

The decision to contract an external adviser must be reported to the Company's Chairperson and may be vetoed by the Board of Directors if it can be proved:

- a) that it is not strictly necessary for the proper discharge of the duties assigned to the external directors;
- b) that its cost is unreasonable in view of the scale of the problem and the Company's assets and income; or
- c) that the technical assistance involved can be adequately provided by Company experts and technicians.

C.1.41 Indicate and, where applicable, detail whether there is any procedure for ensuring that directors can obtain the information needed in sufficient time to prepare for meetings of the management bodies:

Yes

No

Details of the procedure

Article 21.2 of the Regulations of the Board of Directors stipulates the following:

Directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation in the following cases:

- (b) when they fall within the scope of cases of conflict of interest or prohibitions set out in law;
- (d) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

In addition, Article 21.3 of the Regulations of the Board of Directors stipulates that 'Directors must immediately inform the Board of any criminal charges brought against them and the outcome of any subsequent legal proceedings. As soon as they are charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act, the Board must review the case and, in light of the specific circumstances and the potential effect on the Company's standing and reputation, decide whether to demand the director's resignation. This will be reported by the Board in a reasoned explanation in the Annual Corporate Governance Report.'

C.1.42 Indicate and, where applicable, detail whether the company has established rules obliging directors to report and, where appropriate, resign under circumstances that might harm the company's standing and reputation:

Yes

No

Explain the rules

Article 21.2(d) of the Regulations of the Board of Directors stipulates that directors must offer their resignation to the Board of Directors and, if the Board considers it appropriate, formally tender their resignation (...) when their continued presence on the Board might jeopardise the Company's interests or when the reason for which they were appointed no longer holds (e.g., when a shareholder director disposes of their shares in the Company).

C.1.43 Indicate whether any member of the board of directors has informed the company that they have been charged with or ordered to stand trial for any of the offences indicated in Article 213 of the Companies Act:

Yes

No

Indicate whether the board of directors has reviewed the case. If the answer is affirmative, provide a reasoned explanation for the decision taken on whether the director should continue to serve or, if applicable, explain the actions taken by the board of directors up to the date of this report or those that are planned.

C.1.44 Provide details of any significant agreements that have been entered into by the company that will come into force or be modified or terminated in the event of a change in control of the company resulting from a takeover bid, and their effects.

The Company has not signed any agreements of this kind.

C.1.45 Identify any aggregate and individual-level agreements between the company and its directors, managers or employees that provide for compensation, guarantees or golden handshakes on their resignation or unfair dismissal, or if the contractual relationship is terminated because of a public takeover bid or other type of operation.

Number of beneficiaries: 3

Type of beneficiary:

Executive directors/senior management

Description of the agreement:

There are three agreements which, in the event of unfair dismissal, provide that compensation would be determined through judicial proceedings. In the event of an objective dismissal, redundancy or other discharge deriving from a Company decision, the amount of compensation would be 5,957 thousand euros.

Indicate whether the bodies of the company or its group must be notified of and/or must approve these contracts:

	Board of directors	General meeting
Body authorising the clauses	Yes	No

	Yes	No
Is the general meeting notified of the clauses?	X	

C.2 Committees of the board of directors:

C.2.1 Provide details of all the committees of the board of directors, their members and their proportions of executive, shareholder, independent and other external directors:

AUDIT AND CONTROL COMMITTEE

Name	Position	Category
PEDRO LUIS URIARTE SANTAMARINA	CHAIRPERSON	Independent director
FERNANDO DE ASÚA ÁLVAREZ	MEMBER	Independent director
JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	MEMBER	Independent director
ÁLVARO GARCÍA-AGULLÓ LLADÓ	MEMBER	Shareholder director
JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Shareholder director

% of shareholder directors	40.00%
% of independent directors	60.00%
% of other external directors	0.00%

Explain the functions assigned to this committee, describe its procedures and rules of organisation and operation, and summarise its most important activities during the fiscal year.

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

Article 29

The Board will create from among its members an Audit and Control Committee comprising at least 3 and no more than 5 members designated by the Board of Directors, all of whom must be non-executive directors. There must be at least a majority of independent directors and 1 member will be appointed taking into consideration their knowledge and experience of accounting and/or auditing.

As a group, the members of the Committee must have the relevant technical expertise in relation to the sector in which the entity operates.

The Chairperson of the Committee will be elected by the Board from among the independent directors for a term that will not exceed 4 years, and must be replaced at the end of this term. They may be re-elected after a period of 1 year from their retirement from office.

Without prejudice to any other duties that are required by legal provisions or that may be assigned at any time by the Board, the Committee's responsibilities will include:

- a) Reporting to the General Meeting on issues raised there concerning matters within its competence and, in particular, on the outcome of the audit, explaining how it has contributed to the integrity of financial reporting.
- b) Supervising the effectiveness of the internal control system, the internal audit and the risk management systems, addressing with the auditor any significant weaknesses in the internal control system, and submitting recommendations or proposals to the Board.
- c) Supervising the process of preparing the financial reports and submitting recommendations to the Board.
- d) Submitting proposals to the Board on the selection, appointment, renewal and replacement of the external auditor, as well as their contracting conditions, and requesting information from the auditor about the audit plan and its implementation.
- e) Establishing the appropriate relationships with the external auditor in order to gather information on any issues that might undermine their independence. Authorising services other than those which are prohibited and any communications provided for in auditing legislation. Receiving from the external auditors an annual declaration of their independence, as well as detailed information on any additional services provided and the corresponding fees received by the external auditor, or by persons or entities linked to them.
- f) Issuing an annual report, prior to the issuance of the Audit Report, expressing an opinion on whether the independence of the auditor has been compromised. This report will include a justified evaluation of the provision of every additional service referred to in point (e) above, individually and jointly considered, separate from the legal auditing and in relation to the

independent status of the auditing or the regulatory legislation on auditing.

g) Monitoring and supervising compliance with the risk management policy.

h) Reporting to the Board on all matters set out in legislation, the Articles of Association and the Regulations of the Board of Directors and, in particular, on: (i) the financial reports which must be made public on a regular basis; (ii) the creation or acquisition of shares in special purpose entities or entities based in countries or territories considered as tax havens; and (iii) related party transactions.

The Committee will generally meet on a quarterly basis, for the purpose of reviewing the periodic financial reports that must be submitted to the stock exchange authorities, together with the information that the Board must approve and include within its annual public reporting. Likewise, it will meet each time it is convened by the Chairperson, which must be done whenever the Board or its Chairperson requests the issuance of a report or the adoption of proposals and, in all cases, whenever requested by any of its members or whenever it is appropriate for the satisfactory fulfilment of its duties.

Members of the management team or personnel from the Company and its group will be obliged to attend Committee sessions and to cooperate and provide access to the information available to them at the Committee's request. The Committee may likewise require the attendance of the Company's auditors at its meetings.

The Committee's most important activities during the fiscal year were as follows:

- Reviewing the annual financial statements for their drawing up by the Board and subsequent approval at the General Meeting, as well as the periodic public reporting.
- Making proposals to the Board, for submission to the General Meeting, on the appointment of auditors.
- Reviewing the annual and half-yearly financial reports for approval by the Board and subsequent submission to the National Securities Market Commission.
- Approving and implementing the Internal Audit Plan for fiscal year 2017, which focuses on aspects specific to the auditing of subsidiaries and the review of information flows in the financial reporting, the procedures for determining the financial solvency of providers and suppliers, and review of the risks associated with change orders.
- Implementing and monitoring the joint audit system for the financial statements of the Company and the group.
- Analysing the OECD's BEPS system.
- Drawing up the internal guidelines for fiscal policy and the internal procedures for fiscal risk management.
- Drawing up the policy for approval of non-audit services performed by the auditor.
- Analysing the National Securities Market Commission Technical Guide 3/2017 on audit committees at public-interest entities.
- Analysing the country risk of territories in which the Company is operating.

Identify the member of the audit committee who was appointed considering their knowledge and experience of accounting, auditing or both, and indicate the number of years that the chairperson of this committee has been in office.

Name of the director with experience	PEDRO LUIS URIARTE SANTAMARINA
Number of years the chairperson has held office	0

APPOINTMENTS AND REMUNERATION COMMITTEE

Name	Position	Category
FERNANDO DE ASÚA ÁLVAREZ	CHAIRPERSON	Independent director
FRANCISCO JAVIER GÓMEZ-NAVARRO NAVARRETE	MEMBER	Independent director
DIEGO DEL ALCÁZAR Y SILVELA	MEMBER	Independent director
PETRA MATEOS-APARICIO MORALES	MEMBER	Independent director
JAVIER ALARCÓ CANOSA	MEMBER	Independent director

% of shareholder directors	0.00%
% of independent directors	100.00%
% of other external directors	0.00%

Explain the functions assigned to this committee, describe its procedures, organisational rules and operation, and summarise its most important activities during the fiscal year.

The Committee's main functions, procedures and rules of organisation and operation are set out in Article 14 of the Regulations of the Board and in Article 30 of the Articles of Association, as follows:

Article 30 - APPOINTMENTS AND REMUNERATION COMMITTEE

The Board of Directors will set up an Appointments and Remuneration Committee, comprising at least three and no more than five members of the Board, all of whom must be non-executive directors, and at least two of whom must be

independent directors.

The Chairperson of the Committee will be appointed by the Board of Directors from among its members for a four-year term and may be re-elected one or more times for terms of equal duration. The Chairperson must be an independent director.

Without prejudice to any other duties required by legal provisions or those assigned by the Board of Directors, the Committee's responsibilities will include:

- a) Assessing the necessary competences, knowledge and experience of the Board of Directors. For this purpose, the Committee will define the required functions and skills for candidates for each vacant position and assess the time and dedication needed to perform their duties effectively.
- b) Establishing a representation target for the under-represented gender on the Board and issuing guidelines on how to reach this target.
- c) Submitting proposals to the Board of Directors nominating independent directors for appointment by co-option or submission to the decision of the General Meeting, as well as proposals to the General Meeting for the re-election or dismissal of these directors.
- d) Reporting on proposals nominating other directors for their appointment by co-option or submission to the decision of the General Meeting, as well as proposals to the General Meeting for their re-election or dismissal.
- e) Reporting on proposals designating natural persons to represent a director that is a legal entity.
- f) Reporting on the appointment of the Chairperson and Deputy Chairperson(s) of the Board of Directors.
- g) Reporting on the appointment of the Chief Executive Officer.
- h) Reporting on the appointment of the Secretary and Vice-Secretary of the Board.
- i) Proposing members for positions on each of the Committees, taking into account their knowledge, competences and experience and the tasks of each Committee.
- j) Reporting on proposals for the appointment and dismissal of the Company's senior executives and the basic terms and conditions of their contracts.
- k) Examining and organising the succession of the Chairperson of the Board of Directors and the CEO of the Company and, where appropriate, making proposals to the Board of Directors to ensure the transition is orderly and well-planned.
- l) Proposing to the Board of Directors the remuneration policy for the directors and general managers or anyone in senior management who reports directly to the Board, the Executive Committee or the Chief Executive Officer(s), as well as individual remuneration and the remaining contractual conditions of the executive directors, ensuring that these are met.

The Committee will generally meet once a year in order to prepare the information on directors' remuneration, which the Board of Directors must approve and include in its annual public reporting.

Likewise, it will meet each time that the Board of Directors or its Chairperson requests the issuance of a report or the adoption of proposals within the scope of its competences and, in all cases, provided it is appropriate for the satisfactory fulfilment of its duties.

Requests for information from the Committee will be made by the Board of Directors or its Chairperson. Likewise, the Committee must consider suggestions made by the Chairperson, the members of the Board of Directors, the Company's managers and its shareholders.

The Board of Directors may further develop and supplement the above rules in its Regulations, in accordance with the provisions of the Articles of Association and the law.

The Committee's most important activities during fiscal year 2017 were as follows:

- Proposing the appointment and re-election of the independent directors, including the lead independent director, and issuing the mandatory report on the other directors for their re-election.
- Proposing directors for positions on each of the Committees, taking into account their knowledge, competences and experience and the tasks of each Committee.
- Proposing to the Board and drawing up an explanatory report justifying the remuneration policy for the three-year period 2016-2018.
- Evaluating the amount for directors' expenses for attendance of sessions of the Company's corporate bodies.
- Proposing and developing a training plan for directors.
- Planning and reviewing the scaling of resources, including management of expatriates.
- Developing monitoring for the re-scaling of the Company's resources, including management of expatriates.
- Carrying out the sectoral benchmarking of IBEX 35 remuneration.
- Developing the evaluation protocol for the Board of Directors.

C.2.2 Complete the following table with information on the number of female directors on the committees of the board of directors during the last four fiscal years:

	Number of female directors							
	FY 2017		FY 2016		FY 2015		2014	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND REMUNERATION COMMITTEE	1	20.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Section withdrawn.

C.2.4 Section withdrawn.

C.2.5 Indicate, where applicable, whether there are any regulations governing the board's committees, where these regulations may be consulted and any changes made during the fiscal year. Likewise indicate whether any annual reports on the committees' activities have been drawn up on a voluntary basis.

The rules governing the organisation and functioning of the Audit and Control Committee and the Appointments and Remuneration Committee are included in the Regulations of the Board of Directors, which can be consulted on the Company website (www.tecnicasreunidas.es). The Company made no changes to these texts during fiscal year 2017.

The Audit Committee and the Appointments Committee both issued reports on their operation and activities during the fiscal year.

C.2.6 Section withdrawn.

D INTRAGROUP AND RELATED-PARTY TRANSACTIONS

D.1 Explain, where applicable, the procedure for approving intragroup and related-party transactions.

Procedure for the approval of related-party transactions

Article 5 of the Regulations of the Board of Directors stipulates the following:

1. Except in matters which are exclusively the competence of the General Meeting, the Board of Directors is the Company's highest-level decision-making body, and will assume the powers legally reserved for its direct attention, as well as any others necessary for its responsible exercise of general oversight, including, but not limited to, the functions assigned to it by the Companies Act and, in particular, the following non-delegable functions: (...)

(xii) the approval, subject to a report from the Audit and Control Committee, of transactions that the Company, or companies in its group, carries out with directors or with shareholders with a significant stake, whether individually or jointly with others, including shareholders represented on the Board of Directors, in the Company or other companies in its group or with persons related to them ('related-party transactions').

The directors concerned, or who represent or are linked to the shareholders concerned, must not participate in any deliberations or voting on the resolution in question.

Authorisation from the Board of Directors is not necessary, however, for related-party transactions that simultaneously meet the following three conditions:

1. That they are carried out under contracts whose terms are standardised and are applied en masse to a large number of clients.
2. That they involve market prices or rates which are established on a general basis for whoever may act as a supplier of the goods or services concerned.
3. That their amount does not exceed one per cent (1%) of the Company's annual revenue.

Approval of related-party transactions requires prior approval from the Audit Committee. In addition to not exercising or delegating their right to vote, the directors concerned must leave the meeting room while the Board of Directors deliberate and vote.

Article 13 of the Regulations of the Board of Directors stipulates the following: (...)

2. Without prejudice to any other duties that may be assigned at any time by the Board of Directors, the Audit and Control Committee's responsibilities will include: (...)

Reporting to the Board of Directors, in advance of its adoption of the corresponding decisions, on all matters set out in the legislation, the Articles of Association and the Regulations of the Board of Directors and, in particular, on:

- a) the financial reporting which must be made public on a regular basis;
- b) the creation or acquisition of shares in special purpose entities or entities based in countries or territories considered as tax havens.

D.2 Provide details of any transactions that are significant by reason of their amount or material relevance which have been carried out between the company or entities in its group and the company's significant shareholders:

D.3 Provide details of any transactions that are significant by reason of their amount or material relevance which have been carried out between the company or entities in its group and the company's directors or managers:

D.4 Provide details of any relevant transactions carried out by the company with other entities belonging to the same group, provided these are not eliminated in the preparation of the consolidated financial statements and do not form part of the company's normal business in terms of their purpose and applicable conditions.

In all cases, report on any intragroup transaction carried out with entities based in countries or territories considered tax havens:

D.5 Indicate the value of transactions carried out with other related parties.

0 (thousands of euros).

D.6 Provide details of the mechanisms in place to detect, determine and resolve potential conflicts of interest between the company and/or its group and its directors, managers or significant shareholders.

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

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

- their spouse or the person with whom they have an equivalent personal relationship;
- the ascendants, descendants and siblings of the director or the director's spouse;
- the spouses of the ascendants, descendants and siblings of the director;
- the companies in which the director, whether on their own part or through an agent, falls within any of the situations set out in the first paragraph of Article 42 of the Commercial Code.

When the director is a legal entity, the following will be considered related parties:

- partners who fall, with respect to the legal entity, within any of the situations set out in the first paragraph of Article 42 of the Commercial Code;
- directors, whether de facto or de jure, liquidators and legal representatives with general power of attorney of the legal entity;
- companies that belong to the same group and their partners;
- persons who, with respect to the representative of the legal entity, are considered related parties in accordance with the provisions of the paragraph above.

Article 32 of the Regulations of the Board of Directors also stipulates that directors may not, whether for personal gain or for a related party under the terms set out in Article 29 above, take advantage of a Company business opportunity, unless they have obtained the corresponding exemption or authorisation from the Company under the conditions established in law. For the purposes of the above, a business opportunity is understood as any opportunity to make an investment or commercial transaction that has arisen or come to light in connection with the director's discharge of their duties, or through the use of the Company's resources or information, or under circumstances whereby it would be reasonable to believe that an offer from a third party was in reality addressed to the Company.

In special cases, the Company may authorise a director to carry out a transaction with the Company, provided this authorisation is agreed at the General Meeting or by the Board, in accordance with the provisions of Article 230 of the Companies Act.

In addition, directors must inform the Company of any positions they hold on Boards of Directors of other listed companies and, in general, of any facts, circumstances or situations that might be relevant in relation to their activities as a director of the Company.

With regard to senior managers, the mechanisms established for detecting and regulating potential conflicts of interest are governed by the Internal Code of Conduct, which are also applicable to directors. Article 11 of the Internal Code of Conduct stipulates that persons subject to its provisions must at all times act with freedom of opinion and loyalty to the Company and its shareholders, irrespective of their own or third party interests. They must not, therefore, prioritise their own interests at the expense of the Company's or the interests of some investors at the expense of others'. They must abstain from intervening in or influencing decisions that may affect persons or entities with whom there is a conflict of interest, and from accessing confidential information that affects this conflict of interest.

Persons subject to these provisions must notify the Chairperson of potential conflicts of interest in which they are involved because of their activities outside the Company, their family relationships, their personal assets, or for any other reason, with: (i) the Company or any of the Técnicas Reunidas Group companies; (ii) suppliers or important clients of the Company or of Técnicas Reunidas Group companies; or (iii) entities that engage in the same type of business or are competitors of the Company or any of the Técnicas Reunidas Group companies. Any doubts about potential conflicts of interest must be discussed with the Chairperson.

Likewise, Article 16 of the Articles of Association stipulates that in the event that directors, or persons acting on their behalf or in their interests, have made a public application for representation by proxy, the directors appointed as proxy may not exercise the voting rights attached to the corresponding shares in connection with any items on the agenda subject to a conflict of interest, unless they have received precise voting instructions for each of these items from the principal, in accordance with applicable regulations.

D.7 Is more than one of the companies in the group listed on the Spanish securities markets?

Yes

No

Identify the subsidiaries listed on the Spanish securities markets:

Listed subsidiaries

Indicate whether the respective areas of activity and any business relationships between them have been disclosed and specifically defined, as well as those between the listed subsidiary and other companies in the group:

Define any business relationships between the parent company and the listed subsidiary and between this subsidiary and other companies in the group.

Identify the mechanisms for resolving potential conflicts of interest between the listed subsidiary and other companies in the group:

Mechanisms to resolve potential conflicts of interest

E CONTROL SYSTEMS AND RISK MANAGEMENT

E.1 Explain the scope of the company's risk management system, including fiscal risk.

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

Técnicas Reunidas ('TR') has implemented risk management policies, which include the following measures:

Procedures designed to mitigate project-related risks -

- Project selection, based on detailed analysis of the client, market and country, establishing a local presence before bidding and an exhaustive analysis of interests, margins and risks. TR rejects projects when it considers that the margin does not cover the identified risks and generally takes out policies with CESCE, as well as other products to reduce commercial risk.

- Implementation of diversification policies - Geo-political risk in certain markets is mitigated through a diversification policy covering geographical area, client type and areas of activity, which extends to local and international partners and suppliers.

Técnicas Reunidas considers that it has an appropriate distribution of clients, including national oil companies such as Saudi Aramco, Enap, KOC, PDO, Tüpras, Pemex, Sonatrach, Sinopec, ADNOC and Petroperú; large multinationals such as Shell, BP, General Electric, BASF, Exxon, GALP, Total, Lukoil, Sabic and Yara, major Spanish groups such as Repsol-YPF, Endesa, Gas Natural and Cepsa; and Spanish public administrations.

- Development of policies for maintaining the technical capacity necessary to implement projects, establishing systems for applying lessons learned and providing the necessary training.

- Management of a sound balance sheet and adequate lines of funding to ensure sufficient solvency to implement projects.

Procedures for mitigating risks in the execution of contracts -

- Implementation of policies for sharing project risks with third parties, with significant benefits such as enabling combining of partners' financial capacity (access to guarantees and financing), enhancing technological capacity and optimising the use of resources from the bidding stage, which also impacts on the award procedure for projects. To this end, TR participates in joint ventures with other engineering companies on specific large-scale projects where it is advisable to diversify risks or secure construction partners. Since these joint ventures tend to be structured in such a way that each participant responds jointly and severally to the client, TR carefully analyses the potential participants and their potential responsibilities before reaching agreements. TR is usually the project leader. In the rare cases where this does not occur, TR seeks to control risks by ensuring that trusted personnel occupy positions in the joint venture's management and administration teams.

- Development of contracting methods that mitigate risks, such as encouraging the use of open book contracts, and incorporation of force majeure clauses in contracts. Contracts with suppliers and subcontractors generally include indemnity clauses, especially with regard to materials, civil engineering, assembly and construction.

- Use of modular construction schemes in geographical areas where labour shortage or site conditions allow savings with respect to other options.

- Taking out appropriate and specialised insurance policies to cover technical, design and construction risks and liability for accidents, damage to equipment and materials, etc., to a total of €760 million in coverage.

- Adapting purchasing plans for equipment and subcontracting to the most advantageous times and geographical areas in order to fix competitive prices that enable consolidation of the estimated margins.

- Development of a Risk and Opportunity Management model that enables early determination of the expected outcome of each project, as well as the economic valuation of other factors with potential impact on the project, which might produce changes in costs or revenues.

Procedures related to the financial management of projects -

- Foreign exchange risk management - The currency in which the client pays is often different from the currency in which the suppliers are paid. To this end, the Company continuously monitors foreign exchange risks and, from the time a project is awarded, ensures it has the appropriate exchange rate insurance coverage needed to mitigate these risks.

- Liquidity management - TR has corporate or project-related lines of financing available to protect itself in the event of any unforeseen cash requirements.

- Management of technical contingencies - TR includes a figure for contingencies in its project budgets to cover any deviations which might occur during the implementation of projects.

- Fiscal risk management - The Company receives advice from tax experts who are involved in the establishment of the taxation criteria affecting the different companies of the group, both in Spain and abroad.

Safety Management System -

The Group plans, designs and implements safety programmes and monitors their results with a view to continuous improvement, including the following aspects:

- Developing safety policies incorporating health and respect for the environment, a priority for TR.
- Planning objectives and procedures for identifying and evaluating risks and implementing control measures.
- Implementing safety plans through documents distributed to personnel.
- Verifying and regularly measuring safety performance, with procedures for corrective action and accident prevention, and regular safety audits.
- Reviewing the system on a regular basis.

E.2 Identify the entities within the company that are responsible for the development and implementation of the risk management system, including fiscal risk.

Article 5 of the Regulations of the Board of Directors states that the Board is responsible for the approval of the risk management and control policy, including fiscal risk management, as well as the regular monitoring of the systems for internal control and reporting.

E.3 Indicate the main risks, including fiscal risks, which might affect the achievement of the company's business objectives.

The main risks are as follows:

- A large number of projects are turnkey contracts, whereby the price is fixed at the beginning of the contract, while the costs incurred during the implementation of the project execution are subject to variation.
- The price of crude oil, in addition to other factors, affects the behaviour of our clients, as well as that of our suppliers, competitors and partners.
- Projects are implemented in multiple geographical locations, each with a different risk profile to mitigate:
 - geographical areas subject to significant social and political tensions;
 - locations with restricted access, low level of training of local resources, requirements concerning local content or adverse weather conditions;
 - countries with limited legal certainty.
- The portfolio may at certain times reflect a high concentration on a small number of clients or a wide geographical dispersion.
- The plants constructed must meet environmental requirements.
- Economic variables such as exchange rates, interest rates, the willingness of financial and insurance institutions to participate in projects and the tax regime have a significant impact on the company's activity and revenues.
- Success in future contract procedures depends on a solid reputation and previous experience.

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

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

a) Project analysis and bidding phase - (i) The procedure begins with a risk identification process, during which the budget department and the technical office identify and evaluate the technical risks involved in engineering, supply and construction activities. The contracts department reviews the draft client contracts and draws up a report on any problematic issues or omissions. The corporate development team then takes an initial decision regarding any appropriate modifications to the proposal. (ii) Next is the process for evaluating and, where appropriate, approving contingencies, during which the corporate development team reviews the technical proposal and the report on the contracts, adjusts the risks and contingencies from the perspective of commercial risks and draws up a draft proposal. The executive committee then reviews the draft proposal and, where appropriate, validates it and sets the final price. (iii) The next step is the process for negotiating the final contract, during which the client is sent the proposal and the comments on the draft contracts, new versions of the contracts are reviewed and discussed with the client and, finally, the final versions of the contracts are submitted to the executive committee. The executive committee then reviews and, where appropriate, accepts the final versions of the contracts and approves the proposal.

b) Project implementation phase - (i) Throughout the implementation of a project, a risk monitoring process is in place, during which the team in charge of the project monitors the development of any risks identified in the contractual documents and identifies any new risks that may arise. The team and the project leader decide on the information to be submitted to the Group's management, since it is the project leader's responsibility to report to management on the project's progress and risk monitoring. (ii) Next is the process for analysing deviations, during which the project team analyses the probability of risks occurring and their potential impact, applying flexible and specific criteria. The project team ranks the risks according to their degree of probability and identifies those that require decision-making or the adoption of corrective measures. (iii) The final step is the process of adopting corrective measures, during which the project team identifies and analyses the causes underlying probable contingencies, evaluates alternative measures, estimates the cost of each measure and selects the specific measure to adopt.

E.5 Indicate any risks, including fiscal risks, which have materialised during the fiscal year.

The risk associated with fixed-price turnkey contracts which are exposed to potential cost variations materialised during 2016 with regard to several contracts, involving both positive and negative deviations from the budgeted initial costs.

The impact of the price of crude oil and other macroeconomic variables has been significant; we have observed that the stabilisation of the price per barrel at around 50 dollars has led to our clients maintaining their policy of reducing the volume and slowing the pace of investments in fixed assets and implementing restrictive payment policies. We have also verified that in an environment where it is more difficult to generate margins (suppliers) or savings (clients), litigation has increased as a dispute resolution mechanism, especially in the contract closure phase.

Geographical dispersion in complex, highly diverse countries has impacted on results and on the way that some projects are managed. One example of this is the impact of amendments to legislation with regard to taxation changes or controls.

Finally, the concentration of business in certain geographical areas was maintained in 2016 after the award of the Ras Tanura project in Saudi Arabia, which strengthens our presence in the Middle East but at the same time concentrates the portfolio in that area.

E.6 Explain any plans for addressing and oversight of the main risks to the entity, including fiscal risk.

Técnicas Reunidas' structure is organised into various divisions, each with its own sphere of responsibility for risk management with regard to the Company's activities.

Within the Operations Department, the Department of Planning, Cost Control, and Risk and Opportunity Management is responsible for establishing the processes for implementing Risk and Opportunity Management (R&OM) during: (1) the proposal phase of a project until its award; (2) the OBE phase of a project until its conversion; (3) the implementation phase of a project, from the time the contract is signed until its completion (according to the terms of the contract). Project R&O management includes the processes related to planning the management of R&O, and the identification, analysis and response to risks and opportunities and their monitoring/supervision and control during the project.

The Finance Department is responsible for the implementation of the ICFR, for controlling the process of drawing up and correcting the stand-alone and consolidated financial statements contained in the published reports and ensuring that they are accurate, complete and clear.

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit and Control Committee is responsible for supervising the effectiveness of the systems for internal control and risk management. It is also responsible for supervising the process of preparing and presenting the financial reports, safeguarding integrity, and reviewing and verifying the effectiveness of the Group's internal control system. The Audit Committee may be assisted by internal and external auditors in the performance of its functions.

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

In addition, the Company has implemented a Lessons Learned policy which enables, at the conclusion of each project, the identification of any erroneous aspects of the project's implementation and the establishment of optimal procedures for application in similar situations in the future.

Finally, the Company is developing guidelines on Recommended Practices in Counterparty Risk Assessment, which contain various recommendations and procedures to be implemented based on the estimated risk associated with the Company's counterparties.

F SYSTEMS FOR RISK MANAGEMENT AND INTERNAL CONTROL OVER FINANCIAL REPORTING (ICFR)

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

F.1 Entity's control environment

Provide information on the following, indicating their main characteristics:

F.1.1. The bodies and/or functions that are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation; and (iii) its supervision.

Article 5 of the Regulations of the Board of Directors of Técnicas Reunidas, S.A. (the 'Company' or 'Técnicas Reunidas') stipulates that it is the Board's responsibility to approve the risk management and control policy and to periodically monitor the systems for internal control and reporting. The Board of Directors is therefore ultimately responsible for the existence of an adequate and effective system for the Internal Control over Financial Reporting (ICFR).

In accordance with Article 13 of the Regulations of the Board of Directors, the Audit Committee is responsible for supervising the effectiveness of the Company's systems for internal control, internal auditing and risk management, as well as addressing, together with the auditor, any significant weaknesses in the internal monitoring system detected during the audit, all without undermining their independence. The Audit Committee may be assisted by internal and external auditors in the performance of its functions.

Senior management, through the Finance Department, is responsible for the implementation of the ICFR, for controlling the process of drawing up and correcting the stand-alone and consolidated financial statements included in the published reports and to ensure that they are accurate, complete and clear.

F.1.2. Where applicable, with particular regard to the process for drawing up the financial reports, the following elements:

- Departments and/or mechanisms responsible for: (i) designing and reviewing the organisational structure; (ii) clearly defining the areas of responsibility and authority, and the appropriate distribution of tasks and functions; and (iii) ensuring that there are procedures in place for their correct dissemination within the entity.

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

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

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

- Code of conduct, approval body, level of dissemination and training, principles and values included in the code (indicate whether there are specific references to the audit log and financial reporting), body responsible for analysing non-compliance and proposing corrective actions and sanctions.

Técnicas Reunidas' Code of Conduct (the 'Code of Conduct') has been in force throughout 2017, and the Company has carried out specific training actions on its content. The body responsible for its approval is the Board of Directors, and the document is available on the Company website at www.tecnicasreunidas.es. The Company has disseminated this document to all persons subject to its provisions by means of specific emails. It has also carried out online training actions on the Code of Conduct.

The principles and values which form the basis of the Code of Conduct and which set out the model values for company behaviour when dealing with stakeholders include integrity, professionalism, respect for the law, human rights and civic values, quality and innovation, client orientation, professional development, non-discrimination, equal opportunities and respect for the environment.

The Code of Conduct includes specific references to the audit log and financial reporting in Section 4.1.5, cited below as regards this matter.

'The TR Group considers information and knowledge an essential asset for the management of its business, which thus require special protection.

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

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

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

Finally, the Company is in the process of deploying a compliance officer, who will be responsible for analysing non-compliance and proposing corrective actions and sanctions.

- Whistleblowing mechanism for reporting concerns to the audit committee about possible improprieties in matters of financial reporting or accounting, as well as possible non-compliance with the code of conduct and irregular activities within the organisation, indicating whether this is confidential.

The Code of Conduct has implemented a whistleblowing mechanism for this purpose, enabling the reporting of issues in matters of financial reporting or accounting, as well as possible non-compliance with the code of conduct and irregular activities within the organisation. This whistleblowing mechanism is confidential.

- Training programmes and regular updating of skills for personnel involved in drawing up and reviewing the financial information and evaluating the ICFR, covering at least accounting standards, auditing, internal control and risk management.

Training courses are planned and carried out on an annual basis for personnel involved in drawing up and reviewing the financial reports, including programmes for updating of accounting standards, as well as other processes to improve understanding of the management of financial information. In 2016, various in-person training sessions were provided specifically for personnel who are intrinsically involved in financial reporting.

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

F.2 Risk assessment for financial reporting

Provide information on at least the following:

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

- Whether any process is in place and is documented.

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

During the process of adapting the ICFR to the recommendations of the National Securities Market Commission (CNMV), the traceability between the Group's catalogue of key risks with impacts on financial reporting and the key business processes with potential impact on the financial statements was monitored, and it was verified that most of the key risks impact on and/or are managed in the processes within the scope predicted.

- Whether the process covers all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; rights and obligations), whether it is updated and how frequently.

The Group has defined the activities and processes covering transactions with potential impact on the financial statements, as well as their associated objectives and risks, the existing controls and the procedures associated with these controls.

The process encompasses all financial reporting objectives (existence and occurrence; integrity; evaluation; presentation, breakdown and comparability; rights and obligations).

- Whether there is a process for identifying the scope of consolidation, taking into account aspects including the possible existence of complex business structures or special purpose vehicles.

The consolidated Group has no complex business structures or special purpose vehicles. Consequently, this is not considered to pose a risk to the financial reporting. Nevertheless, the Finance Department reviews the scope of consolidation on a quarterly basis and the external auditors review it every six months.

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

- Whether the process takes into account the impacts of other types of risk (operational, technological, financial, legal, reputational, environmental, etc.), to the extent that they affect the financial statements.

The internal control of operations requires various types of risk assessment (legal, technical, environmental, etc.). The financial reporting process draws information from the information system for the control of operations, which incorporates the appropriate evaluation of these risks.

- The governing body that supervises the process.

The Company's Finance and Operations Departments are responsible for supervising the process.

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

F.3 Control activities

Indicate whether the following are in place and describe their main characteristics:

F.3.1. Procedures for reviewing and authorising the financial reports and the description of the ICFR, for reporting to the stock markets, indicating those responsible, as well as documentation describing the flows of activities and controls (including those related to fraud risk) of the different types of transactions with potential material effects on the financial statements, including the procedure for closing the accounting period and specific review of the relevant judgments, estimates, evaluations and forecasts.

The senior management, mainly through the Finance Department, is responsible for reviewing the financial information. The stand-alone and consolidated annual financial statements and the half-yearly financial statements are reviewed by the Audit Committee, with the assistance of the external auditors, who offer their recommendations. The Chairperson and the 1st Deputy Chairperson review and approve the annual financial statements, whose subsequent drawing up is the responsibility of the Board of Directors. The financial information for the first and third quarters is also subject to review by the Audit Committee. The Audit Committee is responsible for supervising the ICFR, with the assistance of the Company's internal and external auditors.

The Group has procedures and controls in place on the activities and processes covering the main transactions with potential impact on the financial statements, including:

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

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

The Group's annual financial statements provide information on the main areas requiring judgments and estimates, generally associated with activities which are carried out by the Operations Department and established in line with approved policies and procedures. The Finance Department reviews these estimates, using specific procedures developed in line with the policies and criteria contained in the Accounting Policy Guidelines, whose content is consistent with international accounting standards and has been reviewed by the external auditors.

F.3.2. Internal control procedures and policies for information systems (including secure access, change tracking and implementation, business continuity and segregation of duties) that support the entity's significant processes in relation to the preparation and publication of financial information.

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

Currently, there are development, testing and production environments in the SAP system. Any changes to the system's programs or parameters are made in the development environment and then moved to the test environment. Once validated, they are moved to the production environment. In this way, every change in the system is logged during the process of moving it to the production environment.

The documentation related to the SAP system, which is part of the Information Security Management System currently in place, is as follows:

- the Information Security Policy;
- the Information Security Management System Guidelines;
- the procedures for monitoring access, changes, operations, business continuity and segregation of duties in IT.

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

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

F.3.3. Internal control procedures and policies for supervising the management of outsourced activities, as well as aspects related to evaluation, calculation or assessment entrusted to independent experts, with potential material effects on the financial statements.

At 2017 fiscal year end, there were no outsourced activities or processes with potential material effects on the drawing up of the financial statements. The services of independent experts have been engaged for the performance of evaluations, calculations or assessments with potential material effects on the financial statements, primarily those related to the evaluation of employment-related liabilities or disputes. In these cases, the services are provided by specialist firms of recognised standing. The Legal Department supervises the evaluations carried out by third parties.

F.4 Information and communication

Indicate whether the following are in place and describe their main characteristics:

- F.4.1. A specific service responsible for defining and updating accounting policies (accounting policy division or department) and resolving queries or conflicts arising from their interpretation, maintaining the flow of communication with those responsible for operations within the organisation, as well as up-to-date guidelines on accounting policies that are distributed to the entity's operating units.

The Accounting and Consolidation Unit, which reports to the Finance Department, is responsible for identifying, defining and updating the Group's accounting policies and for answering queries and settling conflicts arising from their interpretation. During fiscal year 2017, the impact assessment on the implementation of the IFRS 9 and IFRS 15 accounting standards was analysed. The Group has up-to-date Accounting Policy Guidelines which are regularly reviewed by the external auditors. The subsidiaries are informed of the accounting policies and any changes that might apply to them through regular internal meetings. Likewise, the Finance Department is responsible for reporting any changes made to the Accounting Policy Guidelines to the Audit and Control Committee.

The Group's financial reporting control policy includes the performance of mandatory or voluntary external audits on almost all the subsidiaries which comprise the scope of consolidation (even when these are not significant subsidiaries). These audits are entrusted to international firms of recognised standing.

- F.4.2. Mechanisms for collecting and preparing financial information in standardised formats that are applied and used by all units in the entity or group, and that support the main financial statements and notes to the financial statements, as well as detailed information on the ICFR.

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

F.5 Supervision of the operation of the system

Provide information on the following, indicating their main characteristics:

- F.5.1. Supervisory activities on the ICFR carried out by the audit committee, as well as whether the entity has an internal audit service whose responsibilities include assisting the audit committee with the task of supervising the internal control system, including the ICFR. Also provide information on the scope of the ICFR evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports their findings, and whether the entity has an action plan which details any corrective measures, and whether their impact on the financial reporting has been considered.

The Audit Committee is responsible for the annual approval of the work programme for the Internal Audit Department, which in turn submits the report on activities carried out, as well as any issues identified during the implementation of the work programme.

The annual work programme for the Internal Audit Department includes the review of the ICFR. The results of this assessment are reported to the Audit Committee, as well as the recommendations for improvements to be implemented for subsequent monitoring.

F.5.2. Whether there is a discussion procedure whereby the auditor (in accordance with the provisions of the technical auditing standards), the internal audit service and other experts are able to report to the senior management and the audit committee or directors any significant weaknesses in internal control identified during the review of the annual financial statements or any other procedures that have been entrusted to them. Also, indicate whether there is an action plan for correcting or mitigating the weaknesses identified.

In order to fulfil the responsibilities assigned to it by the Board of Directors, the Audit Committee has held a total of ten meetings during fiscal year 2017, which were attended by the Chief Financial Officer and the Head of the Internal Audit Department. These meetings include those held prior to the publication of the Company's regular financial reports in order to obtain and analyse the corresponding information. These meetings involve reviewing the stand-alone and consolidated annual financial statements, the quarterly and half-yearly reports and the briefing notes on results for submission to the National Securities Market Commission and any other information of interest. Meetings of the Audit and Control Committee which are held for the purpose of reviewing the annual financial statements require the attendance of the external auditors, who submit a series of recommendations related to aspects including internal control, resulting from their general work as the Group's auditors. The external auditors are currently entrusted with a specific task, performed jointly with the Internal Audit Department, for evaluating the ICFR.

F.6 Other relevant information

All relevant information has been included in the sections above.

F.7 Report by the external auditor

Report by:

F.7.1. Indicate whether the information on the ICFR submitted to the markets is subject to review by the external auditor, in which case the entity must include the corresponding audit report as an annex. If this is not the case, provide an explanation.

During fiscal year 2017, the external auditor issued its report on the review of the ICFR corresponding to fiscal year 2016. This report has been published. The ICFR will also be reviewed by the external auditor in fiscal year 2018.

G EXTENT OF IMPLEMENTATION OF CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent to which the company follows the recommendations in the Good Governance Code for listed companies.

Where a recommendation is not followed or followed only partially, provide a detailed explanation ensuring that shareholders, investors and the market in general have sufficient information to evaluate the Company's behaviour. General explanations will not be acceptable.

1. The articles of association of listed companies should not limit the maximum number of votes that may be cast by a single shareholder, nor impose other restrictions which hinder the takeover of the company through acquisition of its shares on the market.

Complies

Explain

2. When the parent company and a subsidiary are both listed, they should provide detailed disclosure of:

a) their respective areas of activity and any business dealings between them, as well as between the listed subsidiary and other companies in the group;

b) the mechanisms in place to resolve potential conflicts of interest.

Complies

Partially complies

Explain

Not applicable

3. During the annual general meeting, the chairperson of the board should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information provided in the annual corporate governance report, and with particular regard to:

- a) changes that have occurred since the previous annual general meeting;
- b) the specific reasons for the company not following a recommendation from the Good Governance Code and any alternative procedure followed in that area.

Complies Partially complies Explain

4. The company should draw up and implement a policy for communication and contact with shareholders, institutional investors and proxy advisors that complies in full with market abuse regulations and accords equitable treatment to shareholders in the same position.

This policy should be disclosed on the company's website, including details of how it has been put into practice and the identities of those responsible for its implementation.

Complies Partially complies Explain

The Company has made its Code of Conduct ('the Code') available to all its shareholders and investors on the Company website (<http://www.tecnicasreunidas.es/recursos/doc/accionistas-e-inversores/gobierno-corporativo/codigo-de-conducta-2017.pdf>).

The Code implements the general principles underlying the Company's activities, establishing policies for various areas. Specifically, with regard to the processing of information and to disclosure, Section 4.1.5 of the Code sets out the following:

'With regard to the information which, as a listed company, TR must disclose to the market, the TR Group is committed to acting with total transparency, implementing specific procedures for ensuring the accuracy and veracity of corporate reporting and preventing corporate crime and market abuse. This reporting will include all information necessary to ensure that investors' decisions are based on knowledge and understanding of the Company's business strategies and operations. All information disclosed to the market must be characterised not only by compliance with the applicable regulations, but also by its accessible language and its objectiveness, accuracy, comprehensiveness and relevance, and respect for all investors' rights to information. The relevant information must be identified, prepared and disclosed in the appropriate form and within the appropriate timeframe.'

Section 4.3.8 of the Code ('Shareholder relations') sets out the following:

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

The Company, therefore, considers that the principles on which the its communications with all third-parties must be based, including transparency and equal treatment, and which apply to shareholders, institutional investors and proxy advisers, have already been disclosed and are available on its website. Nevertheless, the Company is evaluating the possibility of publishing on its corporate website a specific document including the principles underlying its communication policy, as well as information on the way in which this policy has been implemented, an aspect which is not covered at the present time.

5. The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of this delegation.

When a board approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as set out in commercial legislation.

Complies Partially complies Explain

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

- a) report on auditor independence;
- b) reports on the operation of the audit committee and the appointments and remuneration committee;

- c) report by the audit committee on related-party transactions;
- d) report on corporate social responsibility policy.

Complies Partially complies Explain

The Company has published reports on auditor independence and on the operation of the committees, but not on the corporate social responsibility policy or on related-party transactions (the latter will be drawn up during fiscal year 2018).

The two reports referred to above have not been made available on the corporate website, since the Company considers that it has already disclosed sufficient information in this regard in other public documents. With regard to information on related-party transactions, the Company reports on this matter in the annual corporate governance report and the annual financial statements for the corresponding fiscal year. There have been no third-party transactions carried out during this fiscal year. With regard to Corporate Social Responsibility, the Company considers that there is sufficient information on this matter available at the following link (<http://www.tecnicasreunidas.es/es/Informacion-para-accionistas-e-inversores/responsibility-social-corporativa/>), as well as in the analysis of the Company's progress on Corporate Social Responsibility, which is included in the Report on the Operation of the Audit and Control Committee and the Integrated Report, published on the Company website (<http://www.tecnicasreunidas.es/recursos/doc/accionistas-e-inversores/memoria-sostenibilidad/informe-integrado-2016.pdf>).

7. The company should broadcast its general meetings live on the corporate website.

Complies Explain

The Company has not received any requests to broadcast its meetings.

8. The audit committee should strive to ensure that the board of directors can present the company's accounts to the general meeting without reservations or qualified opinions in the auditor's report. In the exceptional case that qualified opinions exist, both the chairperson of the audit committee and the auditors should give a clear account to shareholders of their scope and content.

Complies Partially complies Explain

9. The company should disclose its conditions and procedures for admitting share ownership, the right to attend general meetings and the exercise or delegation of voting rights, and make them permanently available on its website.

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

Complies Partially complies Explain

10. When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general meeting, the company should:

- a) immediately circulate the supplementary items and new proposals;
- b) disclose the model for the attendance card or proxy appointment or remote voting form duly modified so that new items for the agenda and alternative proposals can be voted on in the same terms as those submitted by the board of directors;
- c) put all these items or alternative proposals to the vote, applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the outcome of the vote;
- d) disclose the breakdown of votes on these supplementary items or alternative proposals after the general meeting.

Complies Partially complies Explain Not applicable

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

Complies Partially complies Explain Not applicable

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

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

Complies Partially complies Explain

13. The board of directors should be of an optimal size to ensure its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.

Complies Explain

14. The board of directors should approve a director selection policy that:

- a) is specific and verifiable;
 - b) ensures that appointment or re-election proposals are based on prior analysis of the board's needs; and
- favours diversity of knowledge, experience and gender.

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

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

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

Complies Partially complies Explain

There is specific reference to this issue in Section C.1.6bis of this Annual Corporate Governance Report, which confirms that the selection policy for directors gave rise to the appointment of a female director on the last occasion that a vacancy arose. One of the objectives of this policy is to increase the proportion of the under-represented gender on the Company's Board of Directors. There is no specific reference to the goal for the year 2020. Nevertheless, the Company has already begun to evaluate the express inclusion of this goal as one of the guiding principles of its selection policy for directors.

15. Shareholder directors and independent directors should constitute a broad majority on the board of directors, while the number of executive directors should be the minimum practical taking into account the complexity of the corporate group and the executive directors' stake in the company's share capital.

Complies Partially complies Explain

16. The percentage of shareholder directors with respect to non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's share capital.

This criterion can be relaxed:

- a) in large cap companies where few or no equity stakes reach the legal threshold for significant shareholdings;
- b) in companies with a number of shareholders represented on the board of directors who are not otherwise related.

Complies

Explain

17. The number of independent directors should be at least half of the total number of directors.

Nevertheless, when the company does not have a large market capitalisation, or when a large cap company has shareholders who, whether individually or jointly with others, control over 30% of the share capital, independent directors should occupy at least a third of the positions on the board.

Complies

Explain

18. Companies should disclose and regularly update the following information on directors on their websites:

- a) professional profile and background;
- b) directorships held in other companies, listed or otherwise, and any other paid activities they engage in, regardless of their nature;
- c) indication of the category to which the director belongs, and, in the case of shareholder directors, indicating the shareholder they represent or with whom they are linked;
- d) dates of their first appointment as a director and any subsequent re-elections;
- e) shares held in the company, and any options on these shares.

Complies

Partially complies

Explain

19. Following verification by the appointments committee, the annual corporate governance report should disclose the reasons for the appointment of shareholder directors at the request of shareholders whose stake amounts to less than 3% of the share capital. It should also explain any rejection of a formal request for representation on the board from shareholders whose equity stake is equal to or greater than that of other shareholders whose requests have resulted in the appointment of shareholder directors.

Complies

Partially complies

Explain

Not applicable

20. Shareholder directors should resign when the shareholders they represent dispose of their equity stake in its entirety. If these shareholders reduce their equity stakes to the level which requires a reduction in the number of shareholder directors, the corresponding number should also resign.

Complies

Partially complies

Explain

Not applicable

21. The board of directors should not propose the removal of independent directors before the expiry of the mandatory term of office for which they were appointed, except where there is just cause, which they must evaluate on the basis of a report from the appointments committee. Specifically, just cause will be presumed when directors take up new positions or responsibilities that prevent them allocating

sufficient time to discharge their duties as directors, or they fail to fulfil the duties attached to their position or fall within the scope of one of the grounds for disqualification as an independent director, in accordance with the provisions of the applicable legislation.

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

Complies

Explain

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the company's standing or reputation and tender their resignation where appropriate, and, in particular, to inform the board of any criminal charges brought against them and the outcome of any subsequent legal proceedings.

As soon as a director is charged with or ordered to stand trial for any of the offences set out in company legislation, the board of directors should open an investigation and, in light of the specific circumstances, decide whether to demand the director's resignation. The board of directors should give a reasoned account of all such determinations in the annual corporate governance report.

Complies

Partially complies

Explain

23. Directors should express their clear opposition when they consider that a proposal submitted for the board's approval might damage the company's interests. In particular, independent directors and other directors not subject to potential conflicts of interest should also clearly oppose any decision that might harm the interests of shareholders who lack representation on the board of directors.

When the board makes significant or reiterated decisions about which a director has expressed serious reservations, then the director should draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in a letter, as indicated in the following recommendation.

This recommendation also extends to the secretary of the board, whether or not they are a director.

Complies

Partially complies

Explain

Not applicable

24. Directors who withdraw from their position before their term of office expires, whether through their resignation or otherwise, should state their reasons in a letter to be sent to all members of the board of directors. Whether or not this withdrawal is disclosed as relevant information, the grounds for this withdrawal should be set out in the annual corporate governance report.

Complies

Partially complies

Explain

Not applicable

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

The regulations of the board of directors should set out the maximum number of company boards on which directors can serve.

Complies

Partially complies

Explain

Article 26 of the Regulations of the Board of Directors stipulates that directors are obliged to be adequately informed and prepared for Board meetings and, where applicable, meetings of the delegated bodies of which they are members. Article 34 of the Regulations of the Board of Directors stipulates that directors' duties include informing the Company of any positions they hold on the Board of Directors of other listed companies and, in general, of any facts, circumstances or situations that might be relevant in relation to their activities as a director of the Company, in accordance with the provisions of these Regulations. There are no other regulations related to the number of boards on which they may serve as directors.

26. The board of directors should meet with the necessary frequency to properly perform its functions, at least eight times a year, in accordance with the schedule and agendas set at the start of the fiscal year, to which each director may propose the addition of items not initially included in the agenda.

Complies Partially complies Explain

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

Complies Partially complies Explain

28. When directors or the secretary express concerns about a proposal or when directors express concerns about the company's performance, and these concerns are not resolved by the board of directors, they should be recorded in the minutes at the request of the person concerned.

Complies Partially complies Explain Not applicable

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

Complies Partially complies Explain

30. Regardless of the expertise that directors must possess to carry out their duties, the company should also offer directors skills update programmes, when advisable.

Complies Explain Not applicable

31. The agendas of board meetings should clearly indicate which items require a decision to be made or a resolution to be passed by the board, so that the directors can examine or request in advance the information relevant to the matter concerned.

For reasons of urgency, the chairperson may wish to submit decisions or resolutions for board approval that were not included on the agenda. In such exceptional circumstances, their inclusion will require the express prior consent of the majority of directors present, and this should be recorded in the minutes.

Complies Partially complies Explain

32. Directors should be regularly informed of changes in share ownership and of the views of significant shareholders, investors and rating agencies on the company and its group.

Complies Partially complies Explain

33. As the person responsible for the effective functioning of the board of directors, the chairperson, in addition to the functions assigned by law and the company's articles of association, should: prepare and submit to the board of directors a schedule of meetings and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues; and approve and review skills update programmes for each director, when advisable.

Complies

Partially complies

Explain

34. When a lead independent director has been appointed, the articles of association or the regulations of the board of directors should assign them the following powers beside those conferred by law: chairing the board of directors in the absence of the chairperson or deputy chairpersons; articulating the concerns of non-executive directors; maintaining contact with investors and shareholders in order to hear their views and form an opinion on their concerns, especially those related to the company's corporate governance; and coordinating the succession plan for the chairperson.

Complies

Partially complies

Explain

Not applicable

The Company considers that the Lead Independent Director currently exercises powers additional to those provided for in Article 529septies of the Companies Act, including the responsibility for coordinating the succession plan for the Chairperson and the other functions assigned to the Lead Independent Director in recommendation 34. These powers are exercised de facto by the Lead Independent Director, although not stated expressly in the Articles of Association or the Regulations of the Board of Directors.

35. The secretary of the board of directors should endeavour to ensure that the board's activities and decisions are informed by any governance recommendations in the Good Governance Code that are applicable to the company.

Complies

Explain

36. The full board of directors should conduct an annual evaluation, implementing, where necessary, an action plan to correct weakness detected in:

- a) the quality and efficiency of the board's operation;
- b) the operation and composition of its committees;
- c) the diversity of board membership and competences;
- d) the performance of the chairperson of the board of directors and the company's chief executive;
- e) the performance and contribution of each director, with particular focus on the chairpersons of board committees.

Evaluation of the various board committees should be based on the reports that they submit to the board of directors, while evaluation of the board itself should be based on the report by the appointments committee.

Every three years, the board of directors should engage an external consultant to assist in the evaluation process. This consultant's independence should be verified by the appointments committee.

Any business relationships between the consultant or members of their corporate group and the company or members of its corporate group should be detailed in the annual corporate governance report.

The procedure followed and areas evaluated should be described in the annual corporate governance report.

Complies

Partially complies

Explain

37. When there is an executive committee, its membership structure, with regard to the proportion of each category of director, should be the same as that of the board. The secretary of the board should also act as secretary to the executive committee.

Complies Partially complies Explain Not applicable

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

Complies Partially complies Explain Not applicable

39. All members of the audit committee, particularly its chairperson, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management. The majority of committee members should be independent directors.

Complies Partially complies Explain

40. Companies should have a unit responsible for internal auditing, under the supervision of the audit committee, to ensure the effective functioning of its systems for internal control and reporting. This unit should report to the board's non-executive chairperson or the chairperson of the audit committee.

Complies Partially complies Explain

41. The head of the unit responsible for internal auditing should submit its annual work programme to the audit committee, inform the committee directly of any incidents arising during its implementation and submit an activities report at the end of each fiscal year.

Complies Partially complies Explain Not applicable

42. Besides those assigned by law, the audit committee should have the functions set out below.

1. With respect to the systems for internal control and reporting:

- a) monitoring the preparation and integrity of the financial reporting for the company and, where appropriate, the group, reviewing compliance with legal provisions, the accurate demarcation of the scope of consolidation, and the correct application of accounting principles;
- b) ensuring the independence of the unit responsible for internal auditing, proposing the selection, appointment, re-election and removal of the head of the internal audit service, proposing the budget for this service, approving its work programmes and ensuring that it focuses primarily on the main risks to which the company is exposed, receiving regular reports on its activities, and verifying that senior management are taking into account the findings and recommendations in its reports;
- c) establishing and supervising a mechanism through which employees can report, on a confidential and, where appropriate and feasible, anonymous basis, any irregularities of potential significance, especially financial or accounting irregularities, that they detect within the company.

2. With respect to the external auditor:

- a) investigating the circumstances giving rise to the resignation of the external auditor, if this should occur;

- b) ensuring that the external auditor's remuneration does not compromise their quality or independence;
- c) ensuring that the company notifies any change of external auditor to the National Securities Market Commission as relevant information, providing a statement about any disagreements with the outgoing auditor and, if applicable, the basis for these disagreements;
- d) ensuring that the external auditor has a yearly meeting with the full board of directors to inform it of the work undertaken and any developments in the company's risk and accounting positions;
- e) ensuring that the company and the external auditor adhere to current regulations on the provision of non-audit services, restrictions on the auditor's business concentrations and any other standards concerning auditor independence.

Complies Partially complies Explain

43. The audit committee should be empowered to call a meeting with any company employee or manager, and to compel them to attend with no other manager in attendance.

Complies Partially complies Explain

44. The audit committee should be informed of any structural changes or corporate transactions that the company is planning, so that the committee can analyse the relevant operations and report in advance to the board of directors on their economic conditions and accounting impact and, where applicable, the proposed exchange ratio.

Complies Partially complies Explain Not applicable

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

- a) the different types of financial and non-financial risk to which the company is exposed (including operational, technological, legal, social, environmental, political and reputational risks), including contingent liabilities and other off-balance-sheet risks within financial or economic risks;
- b) the determination of the risk level the company considers acceptable;
- c) the measures in place to mitigate the impact of the identified risks, should they materialise;
- d) the systems for internal control and reporting to be used for monitoring and managing the above risks, including contingent liabilities and off-balance-sheet risks.

Complies Partially complies Explain

46. Companies should establish a risk management and control service in one of the company's internal department or units, under the direct supervision of the audit committee or, where appropriate, a specific board committee. This service should be expressly assigned the following functions:

- a) ensuring that risk management and control systems are functioning effectively and, specifically, that all the major risks to which the company is exposed are correctly identified, managed and quantified;
- b) participating actively in the preparation of risk strategies and in key decisions about risk management;
- c) ensuring that risk management and control systems effectively mitigate risks within the framework of the policy drawn up by the board of directors.

Complies Partially complies Explain

47. Members of the appointments and remuneration committee – or of the appointments committee and the remuneration committee, if separately constituted – should be appointed ensuring that they have the appropriate knowledge, skills and experience to discharge their duties. The majority of the members should be independent directors.

Complies Partially complies Explain

48. Large cap companies should have separately constituted appointments and remuneration committees.

Complies Explain Not applicable

The Company has a single committee with powers encompassing matters related to both appointments and remuneration. Given that the members of this committee have been chosen from among the Company's directors with regard to their knowledge, skills and experience, appropriate to the committee's duties and in respect to the areas of both appointments and remuneration, the Company considers that if the committees were separate, their membership would probably overlap, unnecessarily increasing the expenditure of the Board of Directors. In practice, the Appointments and Remuneration Committee deals separately with matters relating to each area. Consequently, the existence of a single committee does not prejudice or limit the exercise of the powers which are assigned by law to appointments committees and to remuneration committees.

49. The appointments committee should consult with the chairperson of the board of directors and the company's chief executive, especially on matters relating to the executive directors.

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

Complies Partially complies Explain

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

- a) proposing to the board the standard conditions for senior managers' contracts;
- b) monitoring compliance with the remuneration policy implemented by the company;
- c) periodically reviewing the remuneration policy for directors and senior managers, including share-based remuneration schemes and their application, and ensuring that their individual remuneration is proportionate to the amounts paid to other directors and senior managers in the company;
- d) ensuring that potential conflicts of interest do not undermine the independence of any external advice provided to the committee;
- e) verifying the information on remuneration for directors and senior managers included in the different corporate documents, including the annual report on directors' remuneration.

Complies Partially complies Explain

51. The remuneration committee should consult with the company's chairperson and chief executive, especially on matters relating to the executive directors and senior management.

Complies Partially complies Explain

52. The rules governing the composition and functioning of supervision and control committees should be set out in the regulations of the board of directors and aligned with those applicable to legally required board committees, in accordance with the above recommendations. These should include:

- a) committees should be composed exclusively of non-executive directors, with a majority of independent directors;
- b) they should be chaired by independent directors;
- c) the board of directors should appoint the members of these committees with regard to the

knowledge, skills and experience of its directors and each committee's responsibilities, discuss their proposals and reports, and report on their activities and work at the first full meeting of the board of directors following each committee meeting;

- d) the committees may engage external advisors, when considered necessary for the discharge of their duties;
- e) meeting proceedings should be recorded in the minutes, which should be made available to all directors.

Complies Partially complies Explain Not applicable

53. The task of supervising compliance with corporate governance rules, internal codes of conduct and corporate social responsibility policy should be assigned to one or split between several board committees, including the audit committee, the appointments committee, the corporate social responsibility committee, where one is in place, or a specific committee established on an ad hoc basis by the board within its powers of self-organisation, which is assigned at least the following specific functions:

- a) monitoring compliance with the company's internal codes of conduct and corporate governance rules;
- b) supervising the communication and relationship strategy for shareholders and investors, including small and medium-sized shareholders;
- c) periodically evaluating the effectiveness of the company's corporate governance system, to ensure that it is fulfilling its mission to promote the company's interests and, as appropriate, taking into account the legitimate interests of other stakeholders;
- d) reviewing the company's corporate social responsibility policy, ensuring that it is geared toward value creation;
- e) monitoring corporate social responsibility strategies and practices and assessing their degree of compliance;
- f) monitoring and evaluating the company's procedures for interacting with various stakeholders;
- g) evaluating all aspects of the non-financial risks to which the company is exposed, including operational, technological, legal, social, environmental, political and reputational risks;
- h) coordinating the non-financial and diversity reporting processes, in accordance with the applicable legislation and international benchmarks.

Complies Partially complies Explain

The Regulations of the Board of Directors assign the Audit and Control Committee the power to evaluate the Company's non-financial risks. They do not, however, exhaustively set out all the minimum functions included in this recommendation.

54. The corporate social responsibility policy should include the principles or commitments to which the company will voluntarily adhere in its relationships with various stakeholders, specifying at least:

- a) the goals of its corporate social responsibility policy and the support instruments to be implemented;
- b) the corporate strategy with regard to sustainability, the environment and social issues;
- c) specific practices in matters related to: shareholders, employees, clients, suppliers, social issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of illegal conduct;
- d) the methods or systems for monitoring the outcomes of the above specific practices, and their associated risks and their management;
- e) the mechanisms for supervising non-financial risk, ethics and corporate conduct;
- f) the channels for stakeholder communication, participation and dialogue;

g) the responsible communication practices that prevent the manipulation of information and protect the company's reputation and integrity.

Complies Partially complies Explain

55. The company should report on matters related to corporate social responsibility, whether in its management report or in a separate document, using an internationally accepted methodology.

Complies Partially complies Explain

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

Complies Explain

57. Variable remuneration schemes linked to the company's or director's performance, as well as remuneration involving the award of shares, share options or any other right to acquire shares or instruments linked to share prices, and long-term savings schemes such as pension plans, retirement schemes and other social welfare systems should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain these shares until the end of their term of office. The above will not, however, apply to shares that the director must dispose of to defray costs related to their acquisition.

Complies Partially complies Explain

58. In the case of variable remuneration, remuneration policies should include the necessary limits and technical safeguards to ensure that this corresponds to beneficiaries' professional performance and is not based solely on the general evolution of the markets or the performance of the company's sector, or similar circumstances.

Specifically, the variable components of remuneration should:

- a) be linked to predetermined and measurable performance criteria that consider the risks taken in order to achieve a given outcome;
- b) promote the sustainability of the company and include non-financial criteria that are relevant to the company's long-term value creation, such as compliance with its internal rules and procedures and with its risk management and control policies;
- c) be focused on achieving a balance between the achievement of short, medium and long-term objectives, enabling performance-related pay to reward ongoing achievement over sufficient time to appreciate its contribution to long-term value creation and ensuring that the mechanisms for measuring performance are not based solely on isolated, occasional or extraordinary events.

Complies Partially complies Explain Not applicable

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

Complies Partially complies Explain Not applicable

Variable remuneration is paid after fiscal year end, and after the Company's audit procedure confirms the Company's relevant financial information to this effect. In this regard, the Company considers that this period is appropriate and sufficient to allow the Appointments and Remuneration Committee to carry out the assessment and verification of compliance with the parameters established in the Directors' Remuneration Policy for fiscal years 2016, 2017 and 2018, approved at the Annual General Meeting of Shareholders on 29 June 2016. This assessment is based on the annual results of the Company and its consolidated Group, which are analysed by the

Audit and Control Committee as part of the Company's standard procedure for the drawing up of the annual financial statements, as well as on the Company's performance during the corresponding period. Following this analysis, the Appointments and Remuneration Committee makes a proposal on the variable remuneration, which is subject to the approval of the Board of Directors. With regard to the possibility of corrections or adjustments being made after the drawing up of the accounts by the General Meeting, the Company considers that this is a remote possibility, which would, in any case, be subject to analysis by the Appointments and Remuneration Committee, after which it would set out any relevant adjustments.

60. Remuneration linked to company results should take into account any qualified opinions in the external auditor's report that may reduce their amount.

Complies Partially complies Explain Not applicable

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

Complies Partially complies Explain Not applicable

The executive directors' variable remuneration does not involve the award of shares or financial instruments whose value is linked to the share price, since the Company does not consider it necessary. Both executive directors have long relationships with and shareholding links to the Company and, consequently, the Company considers that their long-term interests are already sufficiently aligned.

62. Following the award of shares, share options or rights on shares corresponding to remuneration schemes, directors should not be allowed to transfer ownership of a number of shares equivalent to twice their annual fixed remuneration, nor to exercise share options or other rights on shares for at least three years after their award.

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

Complies Partially complies Explain Not applicable

63. Contractual arrangements should include provisions that allow the company to reclaim variable components of remuneration when payment is not appropriately aligned with the director's performance or when they have been awarded on the basis of information which is subsequently found to be misstated.

Complies Partially complies Explain Not applicable

Where necessary, the Company will take the appropriate measures to reclaim variable components of remuneration when payment is not appropriately aligned with the director's performance or when they have been awarded on the basis of information which is subsequently found to be misstated, although the contractual agreements do not include a clause to this effect.

64. Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company can confirm that the director has satisfied the predetermined performance criteria.

Complies Partially complies Explain Not applicable

H OTHER RELEVANT INFORMATION

- 1 If there are any aspects relevant to the corporate governance of the company or the entities in the group which have not been included in the previous sections of this report but whose inclusion is necessary in order to provide complete and reasoned information on the governance practices and structure of the company or its group, provide a brief outline below.
- 2 This section may also include any other information, clarification or aspect related to the previous sections of the report, to the extent that they are relevant and not reiterative.

Specifically, indicate whether the company is subject to any corporate governance legislation other than that of Spain and, if applicable, indicate any information that the company is obliged to submit which is different from that required in this report.

- 3 The company may also indicate whether it voluntarily adheres to other codes of ethics or good practices, whether international, sectoral or of another scope. If applicable, identify the code and the date of adherence.

Note to Section A.10

There are no restrictions on voting rights for shareholders entitled to attend the General Meeting.

Note to Section B.4

The right to an electronic vote or proxy was exercised at the General Meeting on 29/06/2017 by a total of three shareholders, who together held 748 shares.

Note to Section C.1.3

The corporate name of the shareholder Araltec Corporación, S.L. was previously Araltec, S.L.

Note to Section C.1.39

The appointment of Deloitte, S.L. as auditor for the Company and its consolidated group for fiscal years 2017, 2018 and 2019, and the re-election of PricewaterhouseCoopers Auditores, S.L. ('PwC') as auditor for the Company and its consolidated group for fiscal year 2017 were both approved at the Company's General Meeting on 29/06/2017, within the framework of a joint audit system. The number of consecutive fiscal years during which PwC has been performing the audit for the Company and its consolidated group is 29 and 16, respectively. The percentage of years is calculated from the year of the Company's flotation (2006) and not from the date of its incorporation (06/07/1960).

Note to Section G.22

On their appointment to the Board of Directors, the Company's directors are provided with documentation including the Articles of Association, the Regulations of the Board of Directors, the Regulations of the General Meeting and the Code of Conduct in Securities Markets, which regulate these cases in detail.

Note to Section G.40

The Company has an internal audit system which, under the supervision of the Audit Committee, ensures the proper functioning of the systems for internal control and reporting. Since 2008, the Company has had an internal auditor, who is included in the list of senior managers and who continues to discharge their duty within the Company.

Note to Section G.55

The Company has been a signatory to the Global Compact on Corporate Social Responsibility since November 2011 and has confirmed its commitment by renewing its membership every year since then. Other noteworthy activities with regard to Social Responsibility carried out by the Company include the preparation of the 2016 Integrated Report, drawn up in accordance with GRI-G4 guidelines.

This annual corporate governance report was approved by the Company's Board of Directors at its meeting on 27/02/2018.

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

Yes

No



TÉCNICAS REUNIDAS, S.A.

Auditor's report on "information regarding the internal control system over financial reporting (ICSFR)" of Técnicas Reunidas, S.A. for the 2017 financial year



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.

AUDITOR'S REPORT ON "INFORMATION REGARDING THE INTERNAL CONTROL SYSTEM OVER FINANCIAL REPORTING (ICSFR)" OF TÉCNICAS REUNIDAS, S.A. FOR THE 2017 FINANCIAL YEAR

To the Directors of Técnicas Reunidas, S.A.

In accordance with the request of the Board of Directors of Técnicas Reunidas, S.A. ("the Entity") and our engagement letter dated April 12, 2018, we have applied certain procedures in respect of the "Information regarding the ICSFR", included in section "F" of the Annual Corporate Governance Report ("ACGR") of Técnicas Reunidas, S.A. for the 2017 financial year, which includes a summary of the Entity's internal control procedures relating to its annual financial information.

The Board of Directors is responsible for adopting the necessary measures to reasonably ensure the implementation, maintenance and supervision of an appropriate internal control system, and for developing improvements to that system and preparing and establishing the content of the accompanying Information regarding the ICSFR.

In this regard, it should be borne in mind that, regardless of the quality of the design and operating efficiency of the internal control system used by the Entity in relation to its annual financial information, only a reasonable, but not absolute, degree of assurance may be obtained in relation to the objectives it seeks to achieve, due to the limitations inherent in any internal control system.

In the course of our audit work on the annual accounts and in accordance with Spanish Auditing Standards, the sole purpose of our evaluation of the Entity's internal control system is to enable us to establish the scope, nature and timing of our audit procedures in respect of the Entity's annual accounts. Accordingly, our internal control evaluation, performed for the purposes of our audit, is not sufficient in scope to enable us to issue a specific opinion on the effectiveness of such internal control over the regulated annual financial information.

For the purposes of the present report, we have exclusively applied the specific procedures described below, as indicated in the "Guidelines concerning the auditor's Report on the Information regarding the Internal Control System over Financial Reporting for listed entities" published by the National Securities Market Commission ("CNMV") on its web site, which sets out the work to be performed, the scope of such work and the content of this report. In view of the fact that, in any event, the scope of the work resulting from these procedures is reduced and substantially less than the scope of an audit or review of the internal control system, we do not express an opinion on the effectiveness thereof, its design or operational efficiency, in relation to the Entity's annual financial information for the 2017 financial year described in the accompanying Information regarding the ICSFR. Had we applied additional procedures to those determined by the aforementioned Guidelines, or had we performed an audit or review of the internal control system in relation to the regulated annual financial information, other matters could have come to light in respect of which you would have been informed.

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In addition, as this special engagement is not an audit of financial statements and is not subject to the revised Auditing Act applicable in Spain, we do not express an audit opinion under the terms of the aforementioned legislation.

The procedures applied were as follows:

1. Reading and understanding the information prepared by the Entity in relation to the ICSFR – as disclosed in the Directors' Report – and the evaluation of whether such information includes all the information required as per the minimum content set out in Section F regarding the description of the ICSFR, in the model of the Annual Corporate Governance Report, as established in Circular n° 7/2015 of the National Securities Market Commission dated December 22, 2015.
2. Making enquiries of personnel in charge of preparing the information mentioned in point 1 above in order to: (i) obtain an understanding of the preparation process; (ii) obtain information that enables us to assess whether the terminology used is in line with the framework of reference; (iii) obtain information as to whether the control procedures described have been implemented and are functioning in the Entity.
3. Review of supporting documentation explaining the information described in point 1 above and which mainly comprises the information made directly available to the persons responsible for preparing the information on the ICSFR. Such documentation includes reports prepared by the internal audit function, senior management and other internal and external specialists in support of the functions of the Audit and Control Committee.
4. Comparison of the information described in point 1 above with our knowledge of the Entity's ICSFR, obtained by means of the application of the procedures performed within the framework of the audit engagement on the annual accounts.
5. Reading the minutes of meetings of the Board of Directors, Audit and Control Committee and other committees of the Entity, for the purposes of evaluating the consistency between the matters dealt with therein in relation to the ICSFR and the information described in point 1 above.
6. Obtaining a representation letter concerning the work performed, duly signed by the persons responsible for the preparation and drafting of the information mentioned in point 1 above.

As a result of the procedures applied in relation to the Information regarding the ICSFR, no inconsistencies or incidents have been identified which could affect such information.

This report has been prepared exclusively within the framework of the requirements of article 540 of the revised Spanish Companies Act and Circular n° 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular n° 7/2015 of the National Securities Market Commission, dated December 22, 2015, for the purposes of describing the ICSFR in Annual Corporate Governance Reports.

PricewaterhouseCoopers Auditores, S.L.

Original in Spanish signed by
Goretty Álvarez

June 8, 2018

