

ANNUAL CORPORATE GOVERNANCE REPORT FOR LISTED PUBLIC LIMITED COMPANIES

ISSUER'S IDENTIFICATION DETAILS

FINANCIAL YEAR CLOSE DATE: 31/12/2016

C.I.F.: A - 28092583

COMPANY NAME

TÉCNICAS REUNIDAS, S.A.

**REGISTERED OFFICE
ARAPILES, 14 MADRID**

ANNUAL CORPORATE GOVERNANCE REPORT FORM FOR LISTED PUBLIC LIMITED COMPANIES

A - OWNERSHIP STRUCTURE

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

Date of last modification	Share capital (Euro)	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 types of shares with different associated rights:

NO

A.2 Give details of direct or indirect holders of significant stakes in your company at close of financial year, excluding members of the Board:

Name or corporate name of the shareholder	Number of direct voting rights	Number of indirect voting rights (*)	% of total voting rights
ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.	2,848,383	0	5.10%
ARALTEC, S.L.	17,882,564	0	31.99%
FMR LLC	0	1,710,707	3.06%
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	0	1,676,830	3.00%

Name or corporate name of the indirect holder of the participation	Through: Personal or corporate name of the direct Shareholder	Number of voting rights
FMR LLC	FIDELITY INSTITUTIONAL ASSET MANAGEMENT TRUST COMPANY	896.989
FMR LLC	FIAM LLC	803.099
FMR LLC	FIDELITY MANAGEMENT TRUST COMPANY	10.619
FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED	1.676.830

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

A.3 Fill in the following tables on members of the company's Board of Directors who have company shares with voting rights:

Name or corporate name of the director	Number of Direct voting rights	Number of indirect voting rights (*)	% of total voting rights
MR. FERNANDO DE ASÚA ÁLVAREZ	0	15,000	0.03%
MR. PEDRO LUIS URIARTE SANTAMARINA	6,700	3,300	0.02%
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	60,000	20,730,947	37.20%
MR. DIEGO DEL ALCÁZAR Y SILVELA	1,129	4,000	0.01%

Personal or corporate name of the indirect shareholder	Through: Personal or corporate name of the direct shareholder	Number of direct voting rights
MR. FERNANDO DE ASÚA ÁLVAREZ	SUALFER INVERSIONES SICAV, S.A.	15,000
MR. PEDRO LUIS URIARTE SANTAMARINA	CASTILLO DEL POMAR, S.L.	3,300
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.	2,848,383
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC, S.L.	17,882,564
MR. DIEGO DEL ALCÁZAR Y SILVELA	MRS. MARÍA BENJUMEA CABEZA DE VACA	4,000

% of total voting rights held by the board of directors	37.26%
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Fill in the following tables on the members of the company's Board of Directors who possesses rights over company shares:

A.4 Indicate, where applicable, any relations of a family, commercial, contractual or corporate nature that exist between the holders of significant stakes, to the extent that these are known by the company and unless they bear little relevance or derive from normal commercial trade or business:

A.5 Indicate, where applicable, any relations of a commercial, contractual or corporate nature that exist between the holders of significant stakes and the company and/or its group, unless these bear little relevance or derive from normal commercial trade or business:

A.6 Indicate whether the company has been informed of shareholders' agreements which affect it, in accordance with that established in the articles 530 and 531 of the Companies Act (Ley de Sociedades de Capital). Where applicable, briefly describe them and list the shareholders bound by the agreement:

NO

Indicate whether the company knows of the existence of joint actions among its shareholders. Where applicable, briefly describe them:

NO

If during the financial year there has been any modification or termination of these agreements or joint actions, provide details below:

There were no agreements or concerted actions between the shareholders of the Company during the 2016 financial year.

A.7 Indicate whether there is any individual or legal entity who exercises or may exercise control over the company in accordance with article 4 of the Securities Market Act. If so, identify this person or entity:

NO

A.8 Fill in the following tables on the company's treasury shares:

At close of financial year:

Number of direct shares	Number of indirect shares (*)	% of total equity
2,140,093	0	3.83%

(*)Through:

Give details of any significant variations which took place during the financial year, in accordance with that set forth in Royal Decree 1362/2007:

Explain the significant variations

There were no significant changes during the year. The Company has reported on a quarterly basis the operations carried out under the liquidity agreement entered into with Santander Investment Bolsa.

A.9 Give details of the conditions and term of the current mandate from the Shareholders' Meeting to the Board of Directors to carry out acquisitions or transfers of treasury stock.

Agreement passed by the Ordinary General Shareholders' Meeting held on 29 June 2016:

- Authorization to the board of directors for the derivative acquisition of the company's treasury shares, directly or by way of companies controlled by it, subject to the following limits and requirements:
- Methods of acquisition: acquisition by purchase, by any other acts "intervivos" for consideration or any other method permitted by law.
- Maximum number of shares to be acquired: the acquisitions may be carried out, at any time, up to the maximum figure permitted by law.
- Minimum and maximum acquisition price: the minimum price of acquisition of the shares shall be equivalent to 75% of their quoted value, and the maximum price to 120% of their quoted value on the date of acquisition.
- Maximum volume of trading: the maximum daily volume of trading for the acquisition of treasury shares shall not exceed 25% of the average of the total volume of shares of Técnicas Reunidas S.A. traded in the last ten sessions:
- Duration of the authorization: five (5) years from the date of this resolution.

The rules on this matter contained in the Company Internal Rules of Conduct shall also be complied with in the carrying out of these operations.

1. Cancellation of the unused part of the authorization granted on this same matter at the General Meeting held on 25 June 2015.
2. Authorization of the board of directors to use the treasury shares acquired wholly or partially for the performance of remuneration programs consisting of or involving the delivery of shares or option rights over shares, in accordance with the provisions of section 1 a) of article 146 of the Companies Act.

A.9.bis Estimated Floating Capital

Estimated Floating Capital	62.74
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A.10 Indicate, where applicable, any restrictions imposed by law or Company by-laws on the exercise of voting rights, as well as any legal restrictions on the acquisition or transfer of shares in the equity. Indicate whether there are any legal restrictions on the exercise of voting rights:

NO

A.11 Indicate whether the General Shareholders' Meeting has agreed to adopt any measures intended to neutralize potential takeover bids, pursuant to the terms of Act 6/2007.

NO

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

A.12 State whether the company has issued shares that do not trade on a regulated EU market.

NO

Where applicable, indicate the classes of shares and the rights and obligations associated with each type.

B. SHAREHOLDERS' MEETING

B.1 Indicate and, where applicable, provide details of differences between the required quorum for the General Shareholders' Meeting and the quorum system set forth in the Limited Companies Act

NO

B.2 State and, if appropriate, provide details of differences with the system established by the Limited Companies Act for adopting resolutions:

YES

Describe how they differ from the provisions envisaged in the Limited Companies Act.

	Stronger majority different to the one established in articles 201.2 LCA in those issues related to matters under art.194.1 LCA	Other
% established for adopting resolutions	0.00%	50.01%

Describe the differences

The last paragraph of article 20 of the by-laws states that the Board's participation in management matters may only be adopted through agreements that meet the information requirements and most of the statutory changes provided for in article 194 of the LSC

B.3 Information on the rules for amending the company's by-laws. In particular, the majorities required to amend the by-laws and the rules in place to protect shareholders' rights when the by-laws are amended.

Article 20.g) of the by-laws and article 5.g) of the Association stipulates that it is the responsibility of the General Meeting to "Agree on the modification of these articles".

Shareholders' rights in relation to General Meetings are enumerated in the Limited Companies Act (LCA), which can currently be found in articles 14, 16 and 17 of the by-laws. These rights are described in further detail in the Board Regulations as follows:

Right to information.

Article 9 states that starting on the date on which the announcement of the General Meeting is published and up to and including the fifth day before the scheduled meeting date, shareholders may submit written requests to the Board of Directors for information or clarification of the agenda items or ask any questions they may have. Moreover, with the same prior advance and form, the shareholders may request information and clarifications or present questions in writing on the information available to the public that was supplied to the National Securities Market Committee (CNMV) since the last General Meeting was held and about the auditor's report.

The requests for information may be made in person at the Company's offices or posted to the Company's registered address or using other forms of electronic communications. Electronic documents will be admitted as requests for information when they incorporate the legally recognised electronic signature employed by the requester, or other mechanisms that are deemed by the Board of Directors to provide adequate guarantees of authenticity and identity of the shareholder.

All shareholder requests must include the shareholder's full name and proof of the owned shares, which will be checked against the list of shareholders and the number of shares in their names provided by Sociedad de Sistemas or Iberclear for the General Meeting in question. The shareholder is responsible for proving that the request was sent to the Company in a timely manner.

The Company's website will include detailed information on the procedure for shareholders to exercise their right to information.

The information requests regulated in this article will be answered once the identity and shareholders status of the requester have been verified, before the General Meeting.

Directors are obligated to provide the information in writing up until the meeting date, except in the following cases:

- (i) The requested information is to protect shareholder's right, there objective reason to consider it could be used for extra social purposes or its disclosure could be harmful for the company or associated.
- (ii) the request for information or clarification does not refer to any agenda item of information that is available to the public that was reported by the Company to the National Securities Market Committee (CNMV) since the last General Meeting or information on the auditor's opinion.
- (iii) the information or clarification requested could be considered as abusive, or;
- (iv) has been classified as such by legal or regulatory provisions or case law.
- (v) prior to its formulation, the information requested is clearly and directly available to all shareholders on the website of the Company under question and answer format.

However, the exception indicated in (i) above will not apply when the request is supported by shareholders representing at least twenty-five percent of the share capital. The Board may authorize any of its members, the Chairman of its committees or the Secretary to respond to shareholders' requests for information for and on behalf of the Board.

The means to send the information requested by the shareholders will be the same as that through which the corresponding request was sent, unless the shareholder indicates a different means from among those declared as suitable. The directors may provide the requested information via certified letter with acknowledgement of receipt or by burofax. The Company may include on its website information on the responses provided to shareholders in response to their questions.

The right to representation

Article 12 establishes that, notwithstanding the ability of legal entity shareholders to attend the meeting through their authorized representatives, any shareholder who is entitled to attend the General Meeting may be represented by a proxy, who may or may not be a shareholder. Additionally, shareholders with less than fifty shares may group together for the purposes of exercising their right of attendance and vote in the General Meeting by conferring their representation on one of them. An individual proxy must be executed for each General Meeting, either in writing or using the distance communication methods specifically allowed by the governing body in the meeting announcement, provided that all requirements set forth in the meeting announcement are met and the identity of both the principal and the proxy can be duly verified. The same rule applies for proxies granted remotely.

Remote voting rights.

Article 24 establishes the right of shareholders who are entitled to attend the meeting and who own at least 50 shares or who have grouped together with others so that together they possess more than 50 shares to vote remotely, by post or using other electronic means of communication, authorizing the Board of Directors to develop the provisions of the article with adequate means and procedures in line with the state of the technology to allow votes to be cast and proxies to be issued electronically in compliance with the applicable laws and terms of the by-laws and the Board Regulations. Nevertheless, it is noted that as of today no method has been developed for proxies to be issued electronically.

B.4 Indicate the attendance for the shareholders' meetings held in the year of this report and the year before:

Date of shareholders' meeting:	Attendance				
	% of in-person attendance	% of proxy representation	% of distance voting		Total
			Electronic voting	Other	
25/06/2015	0.13%	62.41%	0.00%	0.00%	62.54%
29/06/2016	0.14%	61.48%	0.00%	0.00%	61.62%

B.5 State whether or not there is any by-law restriction establishing a minimum number of shares required to attend the General Meeting.

YES

Number of shares required to attend the Shareholders' Meeting	50
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B.6. Section repealed.

B.7 Give the address of the corporate website where the corporate governance material and other information about the general meetings that must be made available to the shareholders through the website.

The Company's website address is: www.tecnicasreunidas.es. To access the corporate governance content available on the site, click on the tab titled "Shareholder and Investor Information" and then the "Corporate Governance" tab. Information on the general meetings can also be found here.

C - STRUCTURE OF THE COMPANY ADMINISTRATION

C.1 Board of Directors

C.1.1 Indicate the maximum and minimum number of directors stipulated in the Company By-laws:

Maximum number of directors	14
Minimum number of directors	7

C.1.2 Complete the following table with the members of the Board of Directors:

Name or corporate name of the member	Representative	Seat on the board	Date of first appointment	Date of last appointment	Election procedure	Selection method
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA		Executive	Chairman	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. JUAN LLADÓ ARBURÚA		Executive	Vice-Chairman 1st	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. JUAN MIGUEL ANTOÑANZAS PÉREZ- EGEA		Independent	Vice-Chairman 2nd	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. FERNANDO DE ASÚA ÁLVAREZ		Independent	Vice-Chairman 3rd	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. DIEGO DEL ALCÁZAR Y SILVELA		Independent	Member	25/03/2010	29/06/2016	Voting in Shareholder's meeting
MR. ÁLVARO GARCÍA- AGULLÓ LLADÓ		Propietary	Member	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. JOSÉ MANUEL LLADÓ ARBURÚA		Propietary	Member	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. FRANCISCO JAVIER GÓMEZ- NAVARRO NAVARRETE		Independent	Member	10/05/2006	29/06/2016	Voting in Shareholder's meeting
MR. JAVIER ALARCÓ CANOSA		Independent	Member	22/06/2007	26/06/2012	Voting in Shareholder's meeting
MR. PEDRO LUIS URIARTE SANTAMARINA		Independent	Member	22/06/2011	29/06/2016	Voting in Shareholder's meeting
MR. WILLIAM BLAINE RICHARDSON		External	Member	22/06/2011	29/06/2016	Voting in Shareholder's meeting
MRS. PETRA MATEOS- APARICIO MORALES		Independent	Member	29/02/2016	29/06/2016	Voting in Shareholder's meeting
MR. ADRIÁN RENÉ LAJOUS VARGAS		Independent	Member	29/06/2016	29/06/2016	Voting in Shareholder's meeting

Total number of Board members	13
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Indicate any members who left the Board of Directors during the period:

Name or Social name of the member	Category of Director at the time of termination	Discharge date
MR. ANTONIO DE HOYOS	Independent	28/02/2016

C.1.3 Fill in the following tables on the different types of members of the board:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company structure
MR. JOSE LLADO FERNANDEZ-URRUTIA	CHAIRMAN
MR. JUAN LLADO ARBURUA	1ST VICE-CHAIRMAN

Total number of executive directors	2
% of total Board of Directors	15.38%

EXTERNAL DIRECTORS REPRESENTING SIGNIFICANT SHAREHOLDERS

Name or corporate name of the director	Personal or corporate name of the shareholder being represented or that
MR. ÁLVARO GARCÍA-AGULLÓ LLADÓ	ARALTEC, S.L.
MR. JOSÉ MANUEL LLADÓ ARBURÚA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES S.L.

Total number of directors representing significant shareholders	2
% of total Board of Directors	15.38%

INDEPENDENT EXTERNAL BOARD MEMBERS

Name or denomination of the director:

MR. FERNANDO DE ASUA ALVAREZ

Profile

Economist and Computer Specialist from the Universidad Complutense de Madrid and graduate in Business Administration and Mathematics from the University of California (USA). His professional experience is centered on a long professional career in IBM and IBM España between 1959 and 1991, Managing Director of South America Area and later Europe, CEO of IBM España and Director of IBM World Trade Corp. Vice-Chairman of Grupo Banco Santander from 2004 to February 2015.

Name or denomination of the director

MR. PEDRO LUIS URIARTE SANTAMARINA

Profile

Graduate in Economics and Law of the Universidad Comercial de Deusto of Bilbao. 46 years of experience in industry (9 years), finance (23), strategic consultancy (10) and public administration (4) in addition to 7 years university teaching in parallel to this. In banking he was CEO (1984) and vice-chairman (1997) of BBV. After the merger of this bank with Argentaria (1999) he was appointed CEO and vice-chairman of BBVA until he took early retirement in 2001. From 1997 to 2002 he was also vice chairman of the board of directors of Telefónica S.A. Among other professional activities he is currently president of Economía, Empresa, Estrategia S.A.

Name or denomination of the director

MR. JUAN MIGUEL ANTOÑANZAS PEREZ-EGEA

Profile

Doctorate in Industrial Engineering. Worked in Barreiros - Chrysler for 10 years, as Managing Director of Manufacture and Assembly. Also worked five years in ITT as Operations Director for Spain, CEO of Marconi Española and Vice-Chairman of ITT España. Director of Planning and President of Instituto Nacional de Industria 1973-1976. Chairman of Seat 1977-1984. Chairman of Uralita 1998-2002.

Name or denomination of the director

MR. FRANCISCO JAVIER GOMEZ-NAVARRO NAVARRETE

Profile

Industrial Engineer Specialised in Chemistry. Held many executive positions in Editorial Tania (1979-1983), Feria Internacional de Turismo (1980-1983), Viajes Marsans (1982-1985). State Sports Secretariat (1987-1993) and the Ministry of Commerce and Tourism (1993-1996). President of MBD.

Name or denomination of the director

MR. DIEGO DEL ALCÁZAR Y SILVELA

Profile

Studied law, political science and business administration at the Complutense University of Madrid and the Sorbonne. Worked at Banco de Levante. Chairman and founder of the IE Business School, one of the top 10 business schools in the world according to the Financial Times and Business Week.

Chairman of the Business Institute Foundation. Chairman of the Board of Directors of ONO, S.L., Fuentes de Mondariz, S.A., Thomil, S.A., Chocolates Eureka, S.A. and Director of the Zubiri Foundation. Vice-chairman of the Foundation for the Support of Hispanic Art.

Name or denomination of the director

MR. JAVIER ALARCÓ CANOSA

Profile

Degree in Economics and Business Studies from the Complutense University of Madrid and later Master in General in I.E.S.E. His career includes the positions of Director of Capital Markets and Treasury at the Banco de Negocios Argentaria Madrid, Director General and Head of Origination and Execution of Fixed Income and Syndications Business Bank Argentaria, Deputy Director General and Head of Capital.

Markets BBVA. Recently, he was appointed Director of Global Investment Banking and BBVA in 2005 and Director of Business and Real Estate Projects of this same institution in 2007.

Name or denomination of the director

MRS PETRA MATEOS-APARICIO MORALES

Profile

Doctor "cum laude" in Economics and Business Sciences from the Universidad Complutense de Madrid and Professor of Financial Economics. Vice President of the Spain-US Chamber of Commerce, since July 2011. She has been Executive Chairman of Hispasat (2004-2012), Non-Executive Chairman of Hisdesat (2005-2011) and Member of the Board of Directors of Solvay (2009 -2013). With extensive academic experience, she has been (1982-2015) professor of Financial Economics of the Department of Economics of Business and Accounting of the Faculty of Economics and Business of the UNED and Professor of Financial Economics at the College of Financial Studies (CUNEF).

Member of the National Board of the Spanish Financial Analysts Institute (IEAF), since 2011. She has been Member of the Board of ANECA (2009-2015). Knight of the Order of the Legion of Honor of the French Republic; Business Leader of the Year (2010) from the Spain-United States Chamber of Commerce and the United Nations Economic and Social Board (ECOSOC) Women Together Award (2009).

Name or denomination of the director

DON ADRIÁN RENÉ LAJOUS VARGAS

Profile

Degree in Economics from the Autonomous University of Mexico. Master of Economics from King's College, Cambridge University. Director of Industrial Investments of Mexico (1977-1980). Director General of Energy and Secretary of the Energy Commission of Mexico (1980-1982). 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). Special adviser to the President of Mexico on oil issues from January to November 2000. Advisor to McKinsey & Company (2001-2011).

Member of the Board of Directors of Trinity Industries. Member of the Board of Directors of Petrométrica. Member of the Board of Directors of Ternium. Senior Energy Sector Advisor at Morgan Stanley. Non-resident fellow at Columbia University's Center on Global Energy Policy. Member of the Board of Governors of the Oxford Institute of Energy Studies of the University of Oxford. He has taught economics at El Colegio de México. Visiting researcher at the Kennedy School of Government, Harvard University and the University of Notre Dame.

Total number of independent members	8
% of total Board of Directors	61.54%

State whether any independent director receives from the Company or its group any payment or benefit for other than director compensation or whether that director maintains or has maintained in the last year a business relationship with the Company or any member of its group, whether in his own name or as a significant shareholder, director or officer of a company that maintains or has maintained such a relationship.

NO

Where appropriate, a motivated statement of the board shall be included on the reasons why it considers that such director may perform his duties as an independent director.

OTHER EXTERNAL DIRECTORS

The other external directors will be identified and details of the reasons why they cannot be considered proprietary or independent and their links, either with the company, its directors or its shareholders:

Name or denomination of the director

MR. WILLIAM BLAINE RICHARDSON

Company, manager or shareholder with whom he maintain the link:

TÉCNICAS REUNIDAS, S.A.

Reasons:

Mr. Richardson has a contractual relationship with the company.

Total number of other independent members	1
% of total Board of Directors	7.69%

Indicate the variations, if applicable, produced during the period by type of director:

C.1.4 Complete the following table on the number of female directors during the last four years as well as the type:

	Number of female directors				% of total directors in each category			
	Financial Year 2016	Financial Year 2015	Financial Year 2014	Financial Year 2013	Financial Year 2016	Financial Year 2015	Financial Year 2014	Financial Year 2013
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	1	0	0	0	12.50%	0.00%	0.00%	0.00%
Other External	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Total	1	0	0	0	7.69%	0.00%	0.00%	0.00%

C.1.5 Explain any measures implemented to include the right number of women directors on the board to achieve an even balance of women and men directors.

Explication of the measures

The selection procedures do not suffer from implicit biases that hinder the selection of female directors. In those cases where the Company has had the opportunity to initiate a selection procedure due to the existence of a vacancy or other factors, this procedure has actively promoted the search for women.

C.1.6 Explain any measures implemented by the Appointments Committee to ensure that selection procedures to fill vacancies is not biased in such a way as to raise obstacles for the selection of women which the Company deliberately seeks to include, and does include among potential candidates women that meet the target professional profile:

Explication of the measures

During 2016, the Company appointed Mrs. Petra Mateos-Aparicio Morales as director, after initiating a selection procedure in which the company has deliberately sought and included among the potential candidates for women who meet the precise professional profile.

Where despite the measures adopted, there are few or no female directors, explain the reasons for them:

Explication of the reasons

In the event that a new selection procedure is required to fill vacancies on the Board of Directors, the Appointments and Remuneration Committee will take the necessary measures to avoid that these processes suffer from the implicit biases that hinder the selection of female directors and, likewise, the company will deliberately search for and include among the potential candidates women who have the precise professional profile.

C.1.6 bis Explain the conclusions of the appointments committee on the verification of compliance with the directors' selection policy. And in particular, how this policy is promoting the goal that in 2020 the number of female Boardors represent at least 30% of the total members of the board of directors.

Explication of the conclusions

The selection policy currently in force has led to the appointment of a director at the time a vacancy has existed, and is therefore considered adequate to be applied in the selection processes that need to be started by 2020.

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

The significant shareholders are represented on the Board through four directors who account for all of executive and external proprietary directors.

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

Indicate any failure to address formal requests for presence on the Board of Directors made by shareholders whose stake is equal to or higher than that of others at whose request directors have been appointed. Where applicable, explain the reasons why the request was not addressed.

NO

C.1.9 Indicate whether any director has left the post before the end of his/her term of office, whether they have explained their reasons to the Board and by which means and, if this was made in writing to the entire Board, explain at least the reasons given:

Name of the director

MR ANTONIO DE HOYOS GONZÁLEZ

Reason for termination:

Mr. De Hoyos communicated his resignation for personal reasons by means of a letter addressed to the Chairman of the Board of Directors of the Company.

C.1.10 Indicate, if applicable, the powers vested in any Chief Executive Officers:

Name or denomination of the director

DON JOSÉ LLADÓ FERNANDEZ-URRUTIA

Brief description

According to Articles 28 of the by-laws, the President will possess all the powers of the Board of Directors except those assigned in Article 25 referring to the election of the President and the Vice-Presidents. In line with Article 28 of the by-laws the powers delegated to the President may be delegated to third parties.

Likewise, the President will be considered as the highest executive in the company, with the attributes required exercising this authority, and will, in addition to other items assigned in the Statutes, be responsible for the following functions:

- a) To ensure compliance with the Articles in their entirety and that the agreements of the General Meeting and of the Board of Directors are executed faithfully.
- b) Perform a high level inspection of the Company and of all its services.

C.1.11 Identify, where applicable, any Board members who occupy administrative or executive posts in other companies which belong to the same business group as the listed company:

Name or corporate name of the member	Company name of the group entity	Position	¿Does the member have executive functions?
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	TÉCNICAS REUNIDAS INTERNACIONAL, S.A.	CHAIRMAN	YES
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	TÉCNICAS REUNIDAS PROYECTOS INTERNACIONALES, S.A.U.	JOINT ADMINISTRATOR	YES
MR. JUAN LLADÓ ARBURÚA	ESPAÑOLA DE INVESTIGACIÓN Y DESARROLLO, S.A.	VICE-CHAIRMAN	YES
MR. JUAN LLADÓ ARBURÚA	EUROCONTROL. S.A.	MEMBER	NO
MR. JUAN LLADÓ ARBURÚA	TÉCNICAS REUNIDAS INTERNACIONAL. S.A.	VICE-CHAIRMAN 1º	NO
MR. JUAN LLADÓ ARBURÚA	EMPRESARIOS AGRUPADOS INTERNACIONAL, S.A.	CHAIRMAN	NO

MR. JUAN LLADÓ ARBURÚA	TÉCNICAS REUNIDAS PROYECTOS INTERNACIONALES, S.A.	JOINT ADMINISTRATOR	YES
MR. JUAN LLADÓ ARBURÚA	INITEC INFRAESTRUCTURAS, S.A.U.	MEMBER	NO
MR. JUAN LLADÓ ARBURÚA	INITEC PLANTAS INDUSTRIALES, S.A.U.	MEMBER	NO
MR. JUAN LLADÓ ARBURÚA	EMPRESARIOS AGRUPADOS, A.I.E.	MEMBER	NO

C.1.12 Give details, where applicable, of any company Board members who also sit on the Boards of other entities listed on official securities other than their group, which have been communicated to the company.

C.1.13 Indicate whether the company has established rules on the number of Boards on which its own Board members may sit. If so, explain:

NO

C.1.14 Paragraph repealed

C.1.15 Fill in the following tables on the aggregate remuneration of Board members accrued during the financial year:

Board of Directors Compensation (thousand euro)	4,283
Total compensation for directors' vested pension rights (thousand euro)	0
Total Board of Directors compensation (thousand euro)	0

C.1.16 Identify any senior management members that are not in turn executive directors, and indicate the total remuneration payable thereto during the financial year:

Name or corporate name of the member	Position
MR. FRANCISCO MARTÍNEZ-BORDIÚ DE CUBAS	HUMAN RESOURCE DIRECTOR
MR. EDUARDO SAN MIGUEL GONZÁLEZ DE HEREDIA	FINANCIAL DIRECTOR
MRS. ANA SÁNCHEZ HERNÁNDEZ	PURCHASING DIRECTOR
MR. MIGUEL PARADINAS MÁRQUEZ	ASST. MANAGING DIRECTOR
MRS. LAURA BRAVO RAMASCO	SECRETARY OF BOARD OF DIRECTOR
MR. JOSÉ LUIS GUTIÉRREZ REXACH	HEAD OF UPSTREAM & GAS DIVISION
MR. CARLOS MARTÍN BURILLO	GENERAL DIRECTOR RESPONSABLE FOR UPSTREAM & GAS
MR. ENRIQUE RUBÉN ALSINA MASSANA	GENERAL DIRECTOR FO CORPORATE
MR. FELIPE REVENGA LÓPEZ	GENERAL DIRECTOR OF OPERATIONS
MR. EMILIO GÓMEZ ACEVEDO	LEGAL ADVISE DIRECTOR
MR. JOSÉ MARÍA GONZÁLEZ VELAYOS	INTERNAL AUDITOR
MR. ARTHUR W. CROSSLEY SANZ	ASST. GENERAL DIRECTOR OF UPSTREAM & GAS
MR. CÉSAR SUÁREZ LEOZ	DIRECTOR OF ENERGY GENERATIONS DIVISION

Total senior management remuneration (in thousand Euro)

5,883

C.1.17 Indicate, if applicable, the identity of the Board members who are also members of the Board of Directors, executives or employees of companies that hold significant shareholdings in the listed company and/or in entities belonging to its Group:

Name or corporate name of the director	Corporate name of the significant shareholder	Position
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.	JOINT ADMINISTRATOR
MR. JOSÉ LLADÓ FERNÁNDEZ-URRUTIA	ARALTEC, S.L.	SOLE ADMINISTRATOR

Give details, if applicable, of any relevant relations other than those contemplated in the previous section, between members of the Board of Directors and significant shareholders and/or Group entities:

Name or corporate name of the Board member

MR. JOSE LLADO FERNANDEZ-URRUTIA

Name or corporate name of the significant shareholder

ARALTEC, S.L.

Description of the relationship

MR. JOSE LLADO FERNANDEZ-URRUTIA IS DIRECT OWNER OF 93.18% OF THE SHARE CAPITAL

Name or corporate name of the Board member

MR. JOSE LLADO FERNANDEZ-URRUTIA

Name or corporate name of the significant shareholder

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Description of the relationship

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

Name or corporate name of the Board member MR.

JUAN LLADO ARBURUA

Name or corporate name of the significant shareholder

ARALTEC, S.L.

Description of the relationship

MR. JUAN LLADO ARBURUA IS DIRECT OWNER OF 1.36% OF THE SHARE CAPITAL OF ARALTEC, S.L.

Name or corporate name of the Board member

MR. JUAN LLADO ARBURUA

Name or corporate name of the significant shareholder

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Description of the relationship

MR. JUAN LLADO ARBURUA IS DIRECT OWNER OF 4.85% ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

Name or corporate name of the Board member

MR. JOSE MANUEL LLADO ARBURUA

Personal or corporate name of the significant shareholder

ARALTEC, S.L.

Description of the relationship

MR. JOSE MANUEL LLADO ARBURUA IS DIRECT OWNER OF 1.36% OF ARALTEC, S.L

Name or corporate name of the Board member

MR. JOSE MANUEL LLADO ARBURUA

Personal or corporate name of the significant shareholder

ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES,S.L.

Description of the relationship

MR. JOSE MANUEL LLADO ARBURUA IS INDIRECT OWNER OF 4.85% OF ARAGONESAS PROMOCIÓN DE OBRAS Y CONSTRUCCIONES, S.L.

C.1.18 Indicate whether any amendments were made to the Board Regulations during the financial year:

YES

Description modifications

The Company has amended the wording of Articles 5 and 13 of the Board Regulations in order to adapt its contents to the amendments introduced in the Capital Companies Act by Law, Audit Act 22/2015, July 20, as well as to introduce technical improvements.

C.1.19 Indicate the procedures for the appointment, reappointment, evaluation and cessation of Board members. Give details of the competent bodies, the processes to be followed and the criteria used in each of the procedures.

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

Article 17 - Nomination of Directors

The Directors will be designated, after receiving a report from the Appointments and Remuneration Committee, by the General Meeting or the Board of Directors in line with the content of the Companies Act.

Independently of the above, the appointment of directors that are independent will be done at the proposal of the Appointments and Remuneration Committee.

Additionally, Article 18 of the Board of Directors Regulations establishes the following:

Article18 - Designation of external directors.

1. The Board of Directors will procure that the election of candidates is from persons with recognized solvency, competence and experience, and should exercise due rigor in relation to those calls to cover the posts of independent directors foreseen in the article of this Regulation.
2. The Board of Directors may not propose or designate to cover a post as independent director persons that hold any executive position in the Company or its group or that are linked through family and/or professional ties with the executive directors, with other upper management positions and/or with shareholders of the Company or its group.

Re-election:

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

Article 19 - Re-election of Directors

The Board of Directors, before proposing the re-election of Directors to the General Meeting, will evaluate, with the abstention of the persons affected, as foreseen in Article 22.1 of its own regulation, the quality of work and the dedication to the position of the Directors proposed, during the preceding mandate.

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

The Board of Directors has to perform an annual evaluation of the quality and efficiency of the Board (based on the Appointment and Remuneration Committee Report) , the Commissions and their Presidents, subsequent to the report issued by the Appointment and Compensation Commission or, as the case may be, the Audit Committee.

[...]

Removal:

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

Article 20 - Duration of the position

1. Directors will exercise their position for a period of four (4) years, without prejudice to the possibility that they may be dismissed before that by the General Meeting. Upon termination of their mandate they may be re-elected one or more times for periods of the same duration.
2. The appointment of administrators expires when, having completed the mandate, the following General Meeting has been held or the legal time limit has passed for holding the meeting which must decide on the approval of the previous year's accounts.
3. Vacancies that take place may be covered by the Board of Directors through co-opting, as per the law, as an interim solution until the meeting of the first General Meeting of Shareholders to be held, which may confirm the appointments, elect persons to substitute non ratified directors or amortize vacancies.
4. The directors designated by co-option should be ratified on the date of the first General Meeting that follows.
5. A director who terminates his mandate or for any other reason ceases to exercise his position cannot be director or occupy management positions in any other entity that has a similar social objective to that of the Company for a period of two (2) years.

The Board of Directors, if it considers it necessary, may dispense the director leaving the company of this obligation or shorten the duration period.

Article 22.4 of the by-laws establishes the following:

Article 22.4. - Requisites, duration and re-election of Directors. Remuneration.

The Directors will exercise their position during a period of four years, except when they are removed by the Shareholders General Meeting. They may be re-elected one or more times for periods of equal duration. The appointment of Directors will be subject to the content of Articles 214 and following of the Companies Act.

In addition, Article 21 of the Board of Directors Regulations establishes the following:

Article 21- Dismissal of the directors

1. Directors will cease in their position when the period for which they were elected has passed and when the General Meeting decides this in use of the attributes that it legally and statutorily is conferred. In the case of independent directors, when they have held the position for an uninterrupted period of 12 years, from the time that the Company shares were admitted for quotation in the Securities Market.
2. The directors should put their position at the disposal of the Board of Directors and formalize, if this body thinks it opportune, the corresponding resignation in the following cases:
 - a) When they cease in the executive position that was associated with their appointment as director.
 - b) When they have incurred in any of the incompatible or prohibited situations legally foreseen.
 - c) When they have been seriously reprimanded by the Board of Directors for having infringed their obligations as directors.
 - d) When their continuance of the Board could place the interests of the Company at risk or when a supplementary director ceases to have holdings in the Company.
3. The directors will immediately inform the Board of any penal actions in which they appear as the accused, and on the posterior legal vicissitudes. As soon as they are charged or an oral judgement process begins for any of the offences stated in Article 213 of the Companies Act, the Board will necessarily examine the case and, in view of the concrete circumstances and of the potential effect on the credit and reputation of the company, decide to proceed or not in having the director resign.

C.1.20 Explain to what extent the annual evaluation of the board has resulted in major changes in its internal organization and in the procedures applicable to its activities:

Description of modifications

It did not lead to major changes in its internal organization or in the procedures applicable to its activities, since the self-assessment showed that the composition, internal organization, operation and frequency of its meetings were accurate.

C.1.20.bis Describe the assessment process and evaluated areas made by the Board of Directors aided, if necessary, by an external consultant, respect for diversity in its composition and powers, operation and composition of its committees, the performance management chairman and chief executive of the company and the performance and contribution of each director.

The evaluation process has had the assistance of an external consultant and the areas discussed has included, among other respects diversity in its composition and powers, operation and composition of its committees, the performance of the Board of Directors chairman and chief executive of the company and the performance and contribution of each director. The process has been the response of each

director to a specific questionnaire that has been analyzed by the external consultant in order to obtain a homogeneous result the Board of Directors as a collegial body.

C.1.20.ter. Breakdown if any, business relationships that the consultant or any company in its group have with the company or any company in its group.

The consultant provides specific services to entity and some other consulting entities of its group.

C.1.21 Indicate the cases in which Board members are obliged to resign.

In line with Article 21.2 of the Board of Directors Regulations, the directors should place their position at the disposal of the Board and formalise, if the Board deems convenient, the corresponding resignation in the following cases:

- a) When they cease in the executive position that was associated with their appointment as a director;
- b) When they incur in any of the incompatible or prohibited situation legally foreseen;
- c) When they have been seriously reprimanded by the Board of Directors for having infringed their obligations as directors;
- d) When their continuance of the Board could place the interests of the Company at risk or when the reason for which they were nominated disappear (for example, when a supplementary director disposes of his holdings in the Company).

Additionally, Article 24 of the by-laws established that all directors will cease in their position because of the expiry of the period for which they were elected, as well as through death, resignation, incapacity or removal agreed by the General Meeting.

C.1.22 Paragraph repealed

C.1.23 Are reinforced majorities, different to the legal ones, required in any type of decision?

NO

If it is required indicate the differences

C.1.24 Explain whether there are specific requirements, different from those relating to Board members, in order to be appointed Chairman.

NO

C.1.25 Indicate whether the Chairman has a casting vote:

YES

Matters on which there is a casting vote
The casting vote of the President will be effective when a tie exists in any voting, as is established under Article 26 2 nd paragraph of the by-laws and Article 16.4 of the Board of Directors Regulations.

C. 1.26 Indicate whether the by-laws or the Board Regulations establish any limit on the age of director:

NO

C.1.27 Indicate whether the by-laws or the Board Regulations establish a limited term of office for independent directors, other than that set out in the regulations:

NO

C.1.28 Indicate whether the by-laws or the regulations of the board of directors establish specific rules for the delegation of the vote on the board of directors, how to do so and, in particular, the maximum number of delegations that a director may have, and whether some limitation on the categories in which it is possible to delegate, beyond the limitations imposed by the legislation. If applicable, please briefly detail those rules.

Article 16 of the Board of Directors Regulations states that the directors will do everything possible to attend the Board meetings and, when they cannot do so personally, will grant their representation in writing and as a special situation for each session to another member of the Board including the opportune instructions and will communicate this to the President of the Board of Directors. Notwithstanding the foregoing, non-executive directors may only delegate their representation to another non-executive director.

Finally, Article 26 of the by-laws establishes that any director may authorize another director to represent him.

C.1.29 Indicate the number of meetings of the Board of Directors held during the financial year. Likewise indicate, where applicable, the number of times the Board met without the Chairman being present. In the computation will be considered representations made with specific instructions.

Number of Board meetings	8
Number of Board meetings without the attendance of the chairman	0

If the President is executive director, indicate the number of meetings held without assistance or representation of any executive director and under the chairmanship of Director Coordinator.

Number of meetings	0
---------------------------	----------

Indicate the number of meetings held by the different Board Committees during the financial year:

Number of meetings of the Audit and Control Committee	10
Number of meetings of the Appointments and Remuneration Committee	6

C.1.30 Indicate the number of Board meetings held during the year with the attendance of all its members.

Proxies granted with specific instructions for the meeting will be considered attendances:

Number of attendances of directors during the financial year	8
% attendance over the total votes during the financial year	100%

C.1.31 Indicate whether the stand-alone and consolidated annual accounts presented to the Board for approval are previously certified:

YES

Identify, where applicable, the people who certified the company's individual and consolidated accounts for approval by the Board:

Name	Position
MR EDUARDO SAN MIGUEL GONZALEZ DE HEREDIA	Chief Financial Officer

C.1.32 Explain any mechanisms established by the Board of Directors to prevent the individual and consolidated accounts prepared by it from being presented at the General Shareholders' Meeting with qualifications in the audit report.

Article 39.3 of the Board of Directors Regulations establishes that the Board will procure the definite preparation of the Accounts so that there are no reasons for modified opinions by the Auditor. However, when the Board believes that it should maintain its criteria, it will publicly explain the content and scope of the discrepancy.

Likewise, the Audit Committee will meet, ordinarily quarterly, to review the regular financial information that has to be submitted to the securities exchange authorities, along with the financial information that the Board of Directors has to approve and include in its annual public documentation.

Additionally, article 13.2 of the Board of Directors Regulations instructs to Audit Committee the following functions:

- To review the Company accounts, monitor compliance with the legal requirements and the correct application of accounting principles, counting for this upon the direct collaboration of the external and internal auditors.

- To know and supervise the process of preparation and the integrity of financial information related to the Company and, as necessary, the group, revising the compliance to the requisites of the rules and the correct application of the accounting criteria; to know and supervise the Company's internal control systems, to check the suitability and integrity of these; and to revise the designation or substitution of those responsible for these.

- Periodically supervise the efficiency of internal control systems and risk management systems, so that the major risks are identified, managed and made adequately known, as well as discussing with the financial auditors or, as the case may be, the experts designated for that purpose, the major weaknesses of the internal control system as revealed by the audit process.

- To review the regular financial information that should be supplied by the Board of Directors to the markets and its supervision bodies, assuring that the intermediate accounts are prepared with the same accounting criteria as the annual accounts.

At the end, among these mechanisms, it should be noted that the Company has promoted and approved the development of an Internal Audit Plan for 2016, which focuses on the audit aspects of subsidiaries, as well as on the review of the flow of financial information mainly.

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

NO

Name or corporate name of the member	Represented by
MRS. LAURA BRAVO RAMASCO	

C.1.34 Paragraph repealed.

C.1.35 Indicate, if applicable, the mechanisms, established by the company to preserve the independence of the external auditor, financial analysts, investment banks and rating agencies.

Article 39 of the Board Regulation establishes that the Audit Committee will abstain from proposing to the Board of Directors, and this in turn will abstain for submitting to the General Meeting, the appointment as auditor of the Company's accounts any firm of auditors that is a situation of incompatibility as reflected in the Audit Act as well as those firms where the fees to be paid by the Company, in all concepts, are 5% higher than their total income during the last year.

The Audit Committee is, therefore, in charge of the relationship with the Company's external auditors, receiving information on matters that might put the independence of these at risk and on any other matters related to the accounts audit process, as well as other communications foreseen in the Audit Act of accounts and related to the technical rules for audits (Article 29.1 e) of the by-laws and Article 13.2 of the Board of Directors Regulations).

In addition, the Audit Committee has agreed, in order to preserve the independence of the auditor, to limit the amount of the billed services by the audit firm for different services from audit.

Moreover, Article 38 of the Board Regulation governs the relationship of the Company with the markets in general and therefore with the financial analysts and investment banks, among others, with which the relationship of Técnicas Reunidas is based upon the principles of transparency and non-discrimination. The Company coordinates the contacts with them, managing both their requests for information and those from institutional and particular investors. In relation to rating agencies, the Company is not subject to credit ratings.

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

NO

If there were disagreements with the outgoing auditor, explain the content of these:

C.1.37 Indicate whether the audit firm carries out other work for the company and/or its group different from that of auditing and, in such case, state the total fees paid for this work and the percentage this represents of the fees billed to the company and/or its group:

YES

	Company	Group	Total
Fees for work other than auditing (thousand Euro)	315	445	760
Fees for work other than auditing/ Total amount invoiced by the audit company (in %)	27.99%	19.81%	47.80%

C.1.38 Indicate whether the audit report of the annual accounts for the previous financial year contains reservations or qualifications. If so, indicate the reasons given by the Chairman of the Audit Committee to explain the content and scope of these reservations or qualifications.

NO

C.1.39 Indicate the number of consecutive years during which the current audit firm has been auditing the annual accounts of the company and/or its group. Likewise, indicate the percentage represented by the years audited by the current audit firm of the total number of years in which the annual accounts have been audited:

	Compan	Group
Number of consecutive years	28	15
Nº of years audited by the current audit firm/ Nº of years that the company has been audited (in %)	100.00%	100.00%

C.1.40 Indicate whether there is a procedure giving the directors access to external consultancy and, if applicable, provide details:

YES

Details of the procedure

Article 24 of the Regulations of the Board, which regulates the assistance of experts to directors, provides that the director may request information on any aspect of the Company and examine their books, records, documents and other documentation. The assignment must necessarily relate to specific problems of a certain importance and complexity that arise in the performance of the position. The decision to contract should be communicated to the Chairman of the Company and may be vetoed by the Board of Directors if it is demonstrated:

- That it is not necessary for the full performance of the functions assigned to the external directors;
- That its cost is not reasonable in view of the importance of the problem and of the assets and income of the Company; or
- That the technical assistance involved can be given adequately by Company experts and technicians.

C.1.41 Indicate whether there is a procedure whereby directors can obtain the information needed to prepare meetings of the governing bodies with sufficient time and, if so, give details:

YES

Details of the procedure

Articles 15.3 of the Regulations of the Board state that the call was issued at least five (5) days, the notice shall always include the agenda of the meeting and be accompanied by the relevant information duly summarized and prepared and, likewise, will ensure that the documentation, where appropriate, be provided to the Directors is delivered well in advance.

C.1.42 Indicate whether the company has established rules which oblige the directors to report and, where appropriate, resign in those cases which may damage the image and reputation of the company:

YES

Explain the rules

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

The directors must place their position at the disposal of the Board of Directors and formalize, if deemed appropriate, the corresponding resignation in the following cases:

- B) When they are involved in any of the cases of incompatibility or prohibition legally foreseen.
- D) When their permanence in the Board may risk the interests of the Company or when the reasons for which they were appointed disappear (for example, when a proprietary director disposes of his participation in the Company).

In addition, Article 21.3 of the Regulations of the Board of Directors establishes that "The Directors shall immediately inform the Board of the criminal cases in which they appear as imputed, as well as their subsequent procedural vicissitudes. As soon as any of the offences stipulated in article 213 of the Companies Act arise the Board shall necessarily examine the case and, in the light of its specific circumstances and of its potential effect on the credit and reputation of the Company, Decide whether to proceed or not to which the director resigns. All of this will be reported by the Board, in a reasoned manner, in the Annual Corporate Governance Report ".

C.1.43 Indicate whether any member of the Board of Directors has informed the company that he/she has been sentenced or formally accused of any of the offences stipulated in article 213 of the Companies Act:

NO

Indicate if the board of directors has analyzed the case. If the answer is affirmative, explain in a reasoned manner the decision taken on whether or not the director should continue in his position or, if applicable, describe the actions performed by the board of directors up to the date of this report or that he intends to carry out.

C.1.44 Significant agreements entered into by the Company that will come into force, be modified or terminate in the event of a change in control of the Company resulting from a takeover bid.

The Company has not signed any agreements of this kind.

C.1.45 Identify on an aggregate and individualized basis any agreements between the Company and its directors, officers or employees which contain indemnity clauses, guarantees or "golden parachutes" deriving from early termination of the contractual relationship if their employment ends because of a public takeover bid.

Number of beneficiaries: 3

Type of beneficiary:

Executive Directors/Senior management.

Description of agreement:

There are agreements with three members of senior management which provide that in the event of an unfair dismissal the indemnity would be determined in court and in the event of an objective dismissal, lay-off or any other decision by the company, the amount of the indemnity would be 5,957 thousand Euros.

Indicate whether these contracts have to be notified to and/or approved by the company's or group's bodies:

	Board of Directors	General Meeting
Body that authorizes the clauses	Yes	No

	YES	NO
Is the Shareholders' Meeting informed of the clauses?	X	

C.2 Committees of the Board of Directors:

C.2.1 Detail all the committees of the board of directors, their members and the proportion of executive, proprietary, independent directors and other external directors that comprise them:

AUDIT COMMITTEE

Name	Position	Type
MR. PEDRO LUIS URIARTE SANTAMARINA	CHAIRMAN	Independent
MR. FERNANDO DE ASÚA ÁLVAREZ	MEMBER	Independent
MR. JUAN MIGUEL ANTOÑANZAS PÉREZ-EGEA	MEMBER	Independent
MR. JAVIER ALARCÓ CANOSA	MEMBER	Independent
MR. ÁLVARO GARCÍA-AGULLÓ LLADÓ	MEMBER	Proprietary

% proprietary directors	20.00%
% independent directors	80.00%
% other external directors	0.00%

Explain the functions assigned to this committee, describe the procedures and rules organization and operation thereof and summarize their most important performances during exercise.

The main functions of the Committee, its procedures and rules of organization and functioning are set out in Article 13 of the Regulations of the Board and in Article 29 of the by-laws:

Article 29

The Board shall establish an Audit and Control Committee composed of a minimum of 3 and a maximum of 5 directors appointed by the Board, who all shall be non-executive directors, most of whom shall, at least, be independent directors and 1 of them will be appointed taking into account their knowledge and experience in matters of accounting and/or audit.

As a whole, the members of the Audit and Control Committee shall have the relevant technical knowledge in relation to the Company's business sector.

The Chairman of the Committee shall be elected by the Board of Directors from among independent directors for a period not exceeding four years, and shall be replaced by the afore mentioned term, and may be re-elected after a period of one year from the date of cessation.

Without prejudice to any other tasks imposed by law or assigned at any time by the Board, the Committee shall exercise the following functions:

- A) Report to the Board on matters within its competence, and in particular on the outcome of the audit, explaining how it has contributed to the integrity of the financial information.
- B) Supervise the effectiveness of the Company's internal control, internal audit and risk management systems; Discuss with the auditor the significant weaknesses on the internal control system. To this end, they may submit recommendations or proposals to the Board.
- C) Supervise the process of preparing financial information and submit recommendations to the Board.
- D) To submit to the Board proposals for the selection, appointment, re-election and replacement of the auditor, as well as the conditions of its contracting, and to obtain information on the audit plan and its execution.
- E) Establish the appropriate relations with the external auditor to receive information on issues that may threaten its independence and any others related to the audit of accounts. Authorize services other than those prohibited and those other communications provided on the audit legislation of accounts. To receive annually from the external auditors the declaration of their independence in relation to the Company or related entities and the detailed information of the additional services of any kind provided and the corresponding fees received by the external auditor or by the persons or entities related to it.
- F) Issue on an annual basis, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the auditors is compromised. This report shall contain a reasonable assessment of the provision of all additional services referred to in letter e) above, individually considered and taken together, other than statutory audits and in relation to the independence regime or the regulatory regulations of the audit activity of accounts.
- G) Control and supervise compliance with the risk control and management policy.
- H) Report to the Board on all matters provided for in the Law, the by-laws and in the Regulations of the Board, and in particular on: (i) financial information that the Company must periodically publish; (ii) the creation or acquisition of shares in special purpose entities or domiciled in countries or territories considered as tax heavens; And (iii) related party transactions.

The Committee shall meet on a quarterly basis in order to review the periodic financial information to be submitted to the stock exchange authorities as well as information to be approved by the Board and included in its annual public documentation. It shall also meet whenever it is convened by its President, who shall do so whenever the Board or its Chairman requests the issuance of a report or the adoption of proposals and, in any case, whenever requested by any of its members or is convenient for the proper performance of its functions.

The members of the management team or of the staff of the Company and its group shall be obliged to attend the meetings of the Committee and to cooperate with and access to the information available to them when the Committee requests so. The Committee may also request attendance at its company's auditors meeting.

The most important activities of the Committee during the year were as follows:

- Review the annual accounts for formulation by the Board and its subsequent approval by the Board, as well as the review of the periodic public information.
- To propose to the Board, for submission to the Board, the appointment of auditors.
- Review of the annual and half a year financial report for approval by the Board and subsequent referral to the Commission National Stock Market.
- Approval and development of an Internal Audit Plan for the 2016 fiscal year, focusing on the specific aspects of Audit of subsidiaries, fundamentally, and in the revision of the flow of financial information.
- Tendering of the audit services of the annual accounts of the Company and its consolidated group for the years 2017-2019.
- Evaluation of the systems of criminal prevention of legal persons.
- Analysis of the insurance program.
- Evaluation of the treasury stock situation.

Identify the member of the audit committee has been appointed considering their knowledge and experience in accounting, auditing or both and report on the number of years that the President of this committee has been in office Director.

Name of the Director experienced	MR. PEDRO LUIS URIARTE
Number of years the president in office	3

APPOINTMENTS AND REM UNERATION COMMITTE

Name	Position	Type
MR. FERNANDO DE ASÚA ÁLVAREZ	CHAIRMAN	Independent
MR. FRANCISCO JAVIER GÓMEZ-NAVARRRO NAVARRETE	MEMBER	Independent
MR. DIEGO DEL ALCÁZAR Y SILVELA	MEMBER	Independent
MRS. PETRA MATEOS-APARICIO MORALES	MEMBER	Independent
MR. JOSÉ MANUEL LLADÓ ARBURÚA	MEMBER	Propietary

% proprietary directors	20.00%
% independent directors	80.00%
% other external directors	0.00%

Explain the functions assigned to this committee, describe the procedures and rules organization and operation thereof and summarize their most important performances during exercise.

The main functions of the Commission, as well as its procedures and rules of organization and functioning, are developed in Article 14 of the Regulations of the Board and in Article 30 of the Statutes:

Article 3 - APPOINTMENT AND REMUNERATION COMMITTEE.

Within the Board, a Appointment and Remuneration Committee shall be set up comprising a minimum of 3 and a maximum of 5 directors, who shall be all non-executive directors, and at least 2 shall be independent directors.

The President of the Commission shall be appointed by the Board from among its members for a period of four years and may be re-elected 1 or more times for periods of the same duration. Said Chairman must be an independent director.

Without detriment to other duties imposed by the legal provisions and other duties assigned by the Board of Directors, the Commission shall have at least the following functions:

- a) Evaluate the necessary competencies, knowledge and experience within the Board. To this end, it will define the necessary functions and skills in the candidates who will fill each vacancy and will evaluate the precise time and dedication so that they can effectively carry out their duties.
- b) Establish a goal of representation for the under-represented sex in the Board and develop guidance on how to achieve that objective.
- c) To submit to the Board proposals for the appointment of Independent Directors for their appointment by cooptation for their submission to the Board's decision, as well as proposals for the re-election or separation of such directors by the Board.
- d) Inform the nomination proposals of the other directors for their appointment by cooptation or for their submission to the Board's decision, as well as the proposals for their re-election or separation by the Board.
- e) Inform the proposals for the appointment of natural persons who are to represent a corporate legal Director.
- f) Report on the appointment of the President and the Vice-Chairmen of the Board.
- g) Report on the appointment of the Chief Executive Officer.
- h) Report on the appointment of Secretary and Deputy Secretary of the Board.
- i) To propose the members who should be part of each of the Commissions, taking into account the knowledge, attitudes and experience of the directors and the duties of each Committee.
- j) Inform the proposals of appointment and separation of senior managers and the basic conditions of their contracts.
- k) Examine and organize the succession of the Chairman of the Board and the chief executive of the Company and, if appropriate, make proposals to the Board so that such succession occurs in an orderly and planned manner.
- l) To propose to the Board the remuneration policy for directors and general managers or those who carry out their senior management functions under the direct authority of the Board, or of the Executive Committee or the CEO (s), as the case may be such as the individual remuneration and other contractual conditions of the executive directors, ensuring their compliance.

The Committee will normally meet once a year to prepare information on the remuneration of Directors that the Board has to approve and include in its annual public documentation.

It shall also meet whenever the Board or its President requests the issuance of a report or the adoption of proposals within the scope of its powers and, in any case, whenever it is convenient for the proper performance of its functions.

The request for information to the Appointments and Remuneration Committee shall be made by the Board or by the Chairman of the Board. Likewise, the Committee shall consider any suggestions made by the Chairman, members of the Board, directors or shareholders of the Company.

The Board may develop and complete in its Regulations the above rules, in accordance with the provisions of the Statutes and the Law.

The most important actions of the Commission in 2016 were as follows:

- Propose the appointment and re-election of independent directors, including the independent coordinating director, and issue the mandatory report of the other directors for re-election.
- Propose the directors who should be part of each of the Commissions, taking into account their knowledge, skills and experience and the duties of each Commission.
- Propose to the Board and prepare an explanatory report and justification of the remuneration policy for the 2016-2018 triennium. Evaluate the amount of the attendance allowances of the directors to the sessions of the corporate bodies of the Company.
- Propose and develop a training plan for Directors.
- Formulate and review the dimensioning of resources, including the management of expatriates.
- Develop follow-up of the resizing of the Company's resources, including the management of expatriates.
- Develop a sector benchmarking of remunerations of IBEX 35.
- Develop the evaluation protocol of the Board of Directors.

C.2.2 Complete the following table with information on the number of members on each Board Committee over the last four years:

	Number of female directors							
	Financial year		Financial year		Financial year		Financial year	
	Number	%	Number	%	Number	%	Number	%
AUDIT AND CONTROL COMMITTEE	0	0.00%	0	0.00%	0	0.00%	0	0.00%
APPOINTMENTS AND COMPENSATION	1	20.00%	0	0.00%	0	0.00%	0	0.00%

C.2.3 Paragraph repealed.

C.2.4 Paragraph repealed.

C.2.5 Indicate, where applicable, the existence of regulations governing the Committees attached to the Board, the place where they are available for consultation and any amendments that may have been made during the financial year. Likewise indicate whether an annual report on the activities of each Committee has been voluntarily prepared.

The organization and functioning norms of the Audit & Control Committee and the Appointments and Remuneration Committee are reflected in the Board of Directors Regulations, which is at the disposal of all to consult on the Company web page (www.tecnicasreunidas.es). During 2016, the Company amended article 29 of the by-laws and Articles 5 and 13 of the Regulations of the Board of Directors, all of them relating to the regulation of Board committees, in order to adapt their contents to Amendments to the Capital Companies Act and to introduce technical improvements in its drafting.

The Audit Committee and the Appointments and Remuneration Committee have issued a report about operation and functioning in the fiscal year.

C.2.6 Paragraph repealed.

D - RELATED PARTY TRANSACTIONS

D.1 Explain the procedure for approving related party and intragroup transactions.

Article 5 of the Board Regulations provides as follows:

1. Except in the matters reserved for the competence of the General Meeting, the Board of Directors is the highest decision-making body of the Company, and shall assume those powers legally reserved for its direct knowledge, as well as those others necessary for a responsible exercise of the general oversight function, including, but not limited to, functions attributed to it by the Law on Capital Companies and, in particular, the following functions that cannot be delegated:

(...)

(xii) the approval, following a report from the Audit and Control Committee, of the operations that the Company, or companies of its group, with directors or with individual shareholders, individually or in concert with others, of a significant shareholding, including shareholders represented on the Board of Directors, of the Company or of other companies forming part of the same group or with persons related to them ("Linked Transactions").

The directors affected, representing or linked to the affected shareholders should refrain from participating in the deliberation and voting of the agreement in question.

However, no authorization from the Board of Directors will require those Related Transactions that comply with simultaneously the following three conditions:

- 1^a. They are carried out under contracts which conditions are standardized and are applied in masse to a high number of customers.
- 2^a. That are made at market prices or rates, generally set by who acts as supplier of the good or service concerned.
- 3^a. That the amount of the transaction does not exceed one percent (1%) of the annual income of the Company.

The approval of Related Transactions will require the previous favorable report of the Audit Committee. The directors affected.

In addition to not exercising or delegating their right to vote, shall be absent from the meeting room while the Board of Directors Deliberate and vote on it.

Article 13 of the Board Regulations provides as follows:

(...)

2. Without prejudice to any other tasks that may be assigned from time to time by the Board of Directors, the Audit and Control Committee shall perform the following functions:

(...)

- Inform the Board, prior to the adoption thereby of the corresponding decisions on all matters covered by the Act, the Statutes and Regulations of the Board and, in particular, on the following matters:

- a) The financial information that the Company must periodically make available to the public.
- b) The creation or acquisition of shares in special purpose vehicles or companies domiciled in countries or territories that are considered tax havens.
- c) Related-Party Transactions.

D.2 Give details of any relevant operations involving a transfer of assets or liabilities between the company or Group entities and significant shareholders in the company.

D.3 Give details of any relevant operations involving a transfer of assets or liabilities between the company or Group entities and the company's administrators or directors.

D.4 Give details of relevant operations carried out by the company with other companies belonging to the same group, provided they are not eliminated during the process of preparing the consolidated financial statements and do not form part of the normal business of the company in terms of their subject and applicable terms and conditions.

In any case, shall be informed of any group transaction carried out with entities established in countries or territories considered tax haven.

D.5 Indicate transactions performed with other related parties.

0 (In Thousand euro)

D.6 Give details of the mechanisms in place to identify, determine and resolve possible conflicts of interest between the company and/or its group and its Board members, executives or significant shareholders.

The Regulation of the Board of Directors and the Internal Conduct Regulation regulate the mechanisms established to detect and regulate possible conflicts of interests.

In relation to directors the mechanism established to detect possible conflicts of interest are regulated in the Board of Directors Regulations. Article 29 of the Board Regulation establishes that the Director should communicate the existence of any conflicts to the Board of Directors and abstain from attending or interfering in deliberations that affect matters in which he is personally interested. It is also considered that there are personal interests by the director when the matter affects any of the following persons:

- The spouse or a person with a similar affective relationship.
- Parents, children and siblings of the Board member or his/her spouse.
- The spouses of the ascendants, descendants and siblings of the Board member.
- Companies in which the director, by himself or by interposed person is in any of the situations contemplated in the first paragraph of article 42 of the Commercial Code.

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

- The partners who are, with respect to the corporate legal Director in any of the situations contemplated in the first paragraph of Article 42 of the Commercial Code.

- The directors, through fact or by law, the liquidators and the empowered with general powers of the legal entity Director.

- Companies that are part of the same group and its partners.

- Persons who, with respect to the representative of the legal person, have the status of person related to the director in accordance with what is established in the previous paragraph.

Article 32 of the Board Regulation also establishes that the director cannot avail in his own benefit or of a person that is linked in the terms established in Article 29 above, a business opportunity of the Company, unless he previously offers it to the company and this desists from exploiting it. For the purposes of the above, a business opportunity is understood as any possibility to make an investment or undertake a commercial operation that has arisen in connection to the exercise by the director, or through the use of information means of the Company, or under circumstances such as would be reasonable to think that the offer of a third party was in reality directed to the Company.

The Company may authorize, in individual cases, the performance by a director of a transaction with the company, which authorization must necessarily be agreed by the Board or the Board in accordance with the provisions established in Article 230 of the Companies Act.

Additionally, the director must inform the Company of the positions he holds on the Board of Directors of other quoted companies and, in general, of any facts, circumstances or situations that might be relevant in relation to his performance as an administrator of the Company in line with the content of this regulation.

Regarding upper management the mechanisms established to detect and regulate possible conflicts of interests are addressed in the Internal Conduct Regulation which is also applicable to the directors. Article 10 of the Internal Conduct Regulation establishes that persons subject to this should act with freedom of judgement on all occasions, with loyalty to the Company, and its shareholders and independently of their own or other's interests. Consequently, they will abstain from rewarding their own interests at the expense of those of the Company and those of some investors at the expense of others and from intervening in or influencing decision making that may affect the persons or entities with which there is a conflict of interests and to access confidential information that affects this conflict.

Additionally the subject persons should inform the First Vice-Chairman about possible conflicts of interests in which they find themselves because of their activities outside the Company, their family relationships, the personal patrimony, or for any other reason, with (i) the Company or any of the companies integrated into Técnicas Reunidas Group; (ii) significant suppliers or customers of the Company or any of the companies Técnicas Reunidas Group; or (iii) entities engaged in similar business or competing with the Company or any of the companies in the Técnicas Reunidas Group. Any doubt on the possibility of a conflict of interests should be consulted with the First Vice-Chairman.

Similarly, article 16 of the Company by-laws stipulates that in the event that an administrator, or a third party acting on behalf or in the interest of any administrator(s), requests representation by proxy, the person receiving it may not exercise the right to vote corresponding to the represented shares with respect to the items on the Agenda that constitute a conflict of interest, unless he or she has received precise voting instructions for each of the items in accordance with applicable regulations.

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

NO

Identify any subsidiaries which are listed:

Listed subsidiary

State whether they have publicly and accurately defined their respective areas of activity and any business dealings between them as well as those of the listed subsidiary with other group companies;

Define any business relations between the parent company and the listed subsidiary and between the latter and other group companies

Describe the mechanisms established to resolve possible conflicts of interest between the listed subsidiary and other group companies:

Mechanisms to resolve possible conflicts of interest

E - RISK CONTROL SYSTEMS:

E.1 Explain the scope of the Company's Risk Management System, including tax matters.

The Group, on the recommendation of the Audit Committee, has created a catalogue of key risks which are described in part E.3 and which was prepared according to the COSO II methodology.

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

Procedures designed to mitigate project-related risks

- Careful selection of projects that begins with a detailed analysis of each customer, market, and country, establishment of a local presence before making offers, and an exhaustive analysis of interests, margins and risks. TR rejects projects when it considers that the margin might not cover the risks identified and regularly contracts CESCE policies and other products to reduce the commercial risk.

- Implementation of diversification policies: The geo-political risks in certain emerging markets are measured against a policy of geographic diversification, and also diversification in the type of customers and in the type of products or projects that are undertaken and a policy of selective agreements with local partners or international contractors

Técnicas Reunidas considers that it has succeeded in diversifying the is commercial activities among national oil companies -NOCs- such as Saudi Aramco, Enap, KOC, PDO, Tüpras, Pemex, Sonatrach, Sinopec, ADNOC or Petroperú; major multinationals such as Shell, BP, General Electric, BASF, Exxon, GALP, Total, Lukoil, Sabic or Canadian Natural; major Spanish groups such as Repsol-YPF, Endesa, Gas Natural or Cepsa, and with Spanish government bodies.

- Develop policies to preserve the necessary technical capacity to perform project establishing "Lessons learned" to spread the precise training.

- Management of a robust balance sheet and adequate credit lines to grant enough solvency to perform projects.

- Implementation of policies intended to share the risk with third parties to spread the risks inherent to a project or to combine the financial capacity (access to guarantees, financing, etc.), the technological capacity and the efficient use of human resources and other resources to achieve the adjudication of other projects.

Técnicas Reunidas participates in numerous joint ventures (JVs) with other engineering companies that are usually formed for the sole purpose of undertaking major projects that are of such a magnitude as to make it advisable to diversify risks or take on construction partners. Since these joint ventures tend to be structured in such a way that

each of the participants responds jointly to the customer Técnicas Reunidas carefully analyses the possible participants and its possible responsibilities before reaching agreements Técnicas Reunidas normally assumes a leadership position in project management. In the exceptional cases where this does not occur, Técnicas Reunidas tries to control the risks by ensuring that its own trusted personnel occupy positions of leadership in the JV.

- Developing contracting policies mitigate the risks assumed by Técnicas Reunidas, for example, encouraging an “Open Book” project contracting model and including clauses that exonerate Técnicas Reunidas from liability in cases of force majeure. The contracts with suppliers and sub-contractors generally include suitable clauses deriving responsibility especially with regard to materials, civil works, assembly and construction.

- Use modular building schemes in geographies where labor shortages or site conditions allow savings over other options.

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

- Adapt purchase plans of equipment and subcontracting to the times and geographies most appropriate to achieve closing competitive prices to consolidate the estimated margins.

- Develop a Risk and Opportunity Model that allows to know in advance, in addition to the expected result of each project, the economic valuation of other factors that may potentially affect the project, generating a deviation in costs or a change in revenues.

Procedures related to the financial management of the projects:

- Exchange risk management: Often happens that the currency in which the customer pays is different than the currency in which the company pays its suppliers. To deal with this, the Company continuously monitors exchange rate risks from the time a project is awarded and takes out the exchange rate insurance policies needed to mitigate these risks early on in the project.

- Liquidity management: TR makes sure to have corporate or associated lines of financing available for certain projects to protect itself in the event of unforeseen cash requirements.

- Technical contingencies: TR includes a contingency item in its project budgets to cover the budget deviations which could potentially occur during the execution of the projects.

- Tax risks: The Company requires the advice of tax experts who collaborate in establishing the taxation criteria to be followed by the different Group companies located in Spain and abroad.

Safety management system.

The manner in which the Group plans the future, conceives, designs and implements the programs and controls the results in safety with a view to continued improvement. It includes the following aspect.

- A safety policy integrated with health and respect for the environment which is a priority for Técnicas Reunidas.

- Planning the objectives and procedures to identify and evaluate risks and implement control measures.

- Implementation of safety plans through documentation communicated to the personnel.

- Regular checking and measurement of the execution of safety plans with procedures to investigate and mitigate accidents and to take preventive and corrective actions, all of which are recorded and audited periodically.

- Regular system review.

E.2 Identify the corporate bodies responsible for preparing and implementing the Risk Management System.

Article 5 of the Board of Directors Regulations states that the Board is responsible for approving the risk management and control policy and the policy for regularly monitoring internal reporting and control systems.

E.3 Indicate the main risks, including tax matters, which can affect the achievement of the business objectives.

The main risks are as follows:

- A large number of projects are turnkey contracts, closing a sales price at the beginning of the contract, while the costs incurred during the project execution period are subject to variation.
- The price of oil, in addition to other factors, affects the behavior of our customers, as well as that of our suppliers, competitors and partners.
- The projects are developed in multiple geographies each of which presents a different risk profile to mitigate:
 - Geographies subject to strong political and social tensions.
 - Locations with limited access, low level of training of local resources, requirements regarding local contents or adverse climatology, among others.

Countries with limited legal certainty.

- The portfolio may at certain times have a high concentration in a small number of clients or a high geographical dispersion.
- Built plants must meet the required environmental requirements.
- Economic variables such as exchange rates, interest rates, the willingness to participate in projects of financial institutions and insurance companies or the fiscal norm significantly impact on the activity and results of the company.
- A solid reputation and previous experience condition the success of future awards

E.4 Identify whether the entity has a level of risk tolerance, including fiscal matters.

For each contract in the negotiation or execution phase, risk assessment measures are applied systematically within the framework of internal risk control and management procedures.

- a) Analysis phase of projects and offers (i) the procedure begins with a process of identification of the risks in which the budget department and the technical office identify and evaluate the technical risks in the engineering, supply and construction activities, and the contracts department revises the draft customer contracts and prepares a report on the problematic points or omissions; the corporate development team takes a first decision regarding the modifications needed in the offer; (ii) after this, the evaluation process begins, and if approved, the evaluation of the contingencies, in which the corporate development team revises the technical offer and the report on the contracts, adjusts the risks and contingencies from the commercial risk perspective and prepares a draft of the offer; the executive committee revised the draft offer, validates it and sets the final price; (iii) the next step is the negotiation process for the final contract, in which the customer is sent the offer and the comments on the draft contracts, new versions of the contracts are reviewed and discussed with the customer and, finally, the final versions of the contracts are submitted to the executive committee; the executive committee revises these and, as the case may be, accepts the final versions of the contracts and approves the offer.

- b) Project execution phase: (i) during the execution of a project there is a process to monitor the risks in which the team in charge of the project controls the evolution of the risks identified in the contractual documentation and identifies any new risks that may arise; the team and the project leader decide on what information is to be sent to Group management, and it the responsibility of the project leader to inform management of the project progress and the monitoring of the risks; (ii) the following step is the process of analysis of deviations in which the project team analyses the probability that the risks may occur and their possible impact applying flexible non-homogeneous criteria; likewise, the project team orders the risks by their probability level and identifies those that require the application of decisions or corrective measures; (iii) finally, the corrective measure process is applied in which the project team identifies and analyses the cause behind the probable contingencies, evaluates alternative measures, estimates the cost of each measure and selects the concrete measure to adopt.

E.5 State whether any of these risks, including tax matters, have materialized during the year.

The risk linked to turn key contracts closing a sales price with customer and exposed to possible cost variations has materialized in 2016 in several contracts where there have been deviations, both positive and negative, from the budgeted initial costs.

The impact of the price of oil and other macroeconomic variables have been significant: therefore we have observed that the maintenance of the price of a barrel in an environment of 50 dollars has led our clients to maintain their policy of reducing and slowing the volume of investments in fixed assets and to be restrictive in their 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.

The geographic dispersion in countries of very diverse complexity has produced impacts on the results or the way of being managed some projects. Thus, for example, we have been impacted by changes in the law regarding changes or taxation issues.

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

E.6 Explain the plans in place for responding to and supervising the main risks faced by the entity, including tax matters.

Técnicas Reunidas is organised into different divisions, each one with its own responsibilities for managing risks affecting the Company.

With the Corporate Operations Department, the Planning, Cost Control and Risk and Opportunity Management Area is in charge of establishing the processed for the execution of Risk and Opportunity Management (R&OM). 1) the proposal phase of a project until it is awarded; 2) the "OBE" phase of a project until it is converted; 3) the execution phase of a project, from the time the contract is signed until the project is complete (per the contractual terms). Project R&O management includes the processes related to R&O planning; identification, analysis and response; and tracking, supervising and controlling risks during the project.

The Finance Department is responsible for the implementation of ICFR, which is intended to control the process of preparing the individual and consolidated financial statements contained in published reports and to ensure that they are accurate, reliable, complete and clear.

According to article 13 of the Rules of the Board of Directors, the Audit & Control Committee is responsible for supervising the efficacy of internal control and risk management systems. In addition, it is responsible for supervising the process of preparing and presenting of regulated financial information and for supervising the efficacy of internal audit services of the Company and the risk control system. In the performance of its functions, the Audit Committee may be assisted by internal and external auditors.

The Company's risk control systems are considered to be sufficient related to the activities performed.

In addition, the Company has implemented a "Lessons Learned" policy which, at the conclusion of each project, identifies the wrong aspects in the execution of a project and establishes the optimal procedures to apply in similar situations in the future.

Finally, the Company is in the process of developing a Recommended Practice Manual on Risk Assessment of Counterparties, which contains various recommendations and procedures to be developed based on the estimated risk of the counterparties to which the Company relates.

F - INTERNAL RISK MANAGEMENT AND CONTROL SYSTEMS IN RELATION TO FINANCIAL REPORTING (ICFR)

Describe the main characteristics of the internal control and risk management systems with regard to financial reporting (ICFR).

F.1 Control environment.

Describe the main characteristics of:

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

Article 5 of the Rules of the Board of Directors of Técnicas Reunidas, S.A. (the "Company" or "Técnicas Reunidas") establishes that one of the Board's responsibilities is to approve the risk management and control policy and to periodically check the internal reporting and control systems. Therefore, the Board of Directors is ultimately responsible for the existence of an adequate and effective Financial Reporting Internal Control System.

According to article 13 of the Rules of the Board of Directors, the Audit & Control Committee is responsible for supervising the efficacy of internal control and risk management systems. In addition, it is responsible for supervising the process of preparing and presenting of regulated financial information and for supervising the efficacy of internal audit services of the Company and the risk control system in the performance of its functions, the Audit Committee may be assisted by internal and external auditors.

Management, through the Finance Department is responsible for the implementation of ICFR, which is intended to control the process of preparing the stand-alone and consolidated financial statements contained in published reports and to ensure that they are accurate, reliable, complete and clear.

F.1.2. In particular, with regard to the process for preparing financing information, whether there are:

- Departments and/or mechanisms are responsible for (i) designing and reviewing the organizational structure; (ii) clearly defining the lines of responsibility and authority and the appropriate distribution of tasks and functions and (iii) ensuring that there are procedures in place for distributing them.

The Board of Directors is responsible for designing and reviewing the Group's organizational structure. This organizational structure contains mechanisms for defining the internal control structure where the Group's Corporate Finance and Operations areas are responsible for implementing internal control systems for key processes involving operations and financial reporting.

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

Corporate Finance is responsible for the different transition processes from the time the information is reported by Corporate Operations until the financial and accounting information is prepared to ensure the accuracy and integrity of the information. Audits are conducted periodically to ensure the proper implementation of the procedures.

- Code of conducts, approval body, level of dissemination and instruction, principles and values contained in the code (indicate whether there are specific references to accounting procedures and financing reporting), body in charge of analyzing non-compliance and proposing corrective/disciplinary actions.

The Code of Conduct for Técnicas Reunidas (the "Code of Conduct") has been implemented during 2016, and the Company carried out specific actions for internal dissemination. The body responsible for its approval is the Board of Directors, being the document available on the website of the Company www.tecnicasreunidas.es. The Company has disseminated this document to all persons subject by specific e-mails and, likewise, has executed online actions for training and instruction on the Code of Conduct. These actions, which have been well received, have been developed simultaneously in the Spanish, English and Arabic languages and have consisted of an explanatory video of the Code of Conduct, a QuizFit! and a Hi-Book online tool.

The principles and values which are the basis of the Code of Conduct and which are meant to inspire the conduct of Técnicas Reunidas in respect of its stakeholders include integrity, professionalism, observance of the law, human rights and civic values, quality and innovation, customer orientation, professional development, non-discrimination, equal opportunities and a respect for the environment, among others.

The Code of Conduct contains specific references to the registration of operations and preparation of financial information in section 4.1.5, reproduced below in the part that concerns this matter.

"The TR Group considers information and its knowledge as an essential asset for the management of its business, so it must be specially protected.

Likewise, it declares that the veracity of the information (particularly the financial information, which will faithfully reflect the economic, financial and patrimonial reality of the Group) will be one of the basic principles in all its actions.

The Group Professionals will share and communicate in a transparent and truthful manner all the information that they must transmit internally or externally and in no case will knowingly provide or introduce into the computer systems incorrect, inaccurate or otherwise mislead whoever receives it.

Likewise, all economic transactions of the TR Group shall be accurately and clearly reflected in the records that correspond in each case and shall be in accordance with the applicable international financial reporting standards."

Finally, the Company is in the process of implementing the compliance officer, who will be in charge of analyzing breaches and proposing corrective actions and sanctions.

Whistle blower channel, which allows the communication to the Audit Committee of irregularities of a financial and accounting nature, in addition to eventual non-compliance with the code of conduct.

- and irregular activities in the organization, informing in its case if it is of a confidential nature.

The Code of Conduct has implemented a complaints channel established for this purpose, which allows denunciations regarding behaviour in the financial and accounting fields, in addition to possible breaches of the code of conduct and irregular activities in the organization. This channel of complaints is confidential.

- Training programmes and periodic refresher courses for the personnel involved in preparing and reviewing financial information and evaluating the internal control systems which cover the accounting, auditing, internal control and risk management areas.

Annually, there are plans to offer refresher courses to the staff involved in preparing and reviewing the financial information to keep them abreast of accounting standard updates and other processes related to the management of financial information. In 2016, numerous in-person training sessions were offered specifically for the people involved in generating financial information.

Also, as part of the Group's global training program implemented by the Corporate HR Department, special courses are offered to relevant personnel in the operational areas who are involved in process that can have an impact on the Company's and the Group's financial information.

F.2 Risk assessment with regard to financial information

Provide the following information:

F.2.1. What are the main characteristics of the process of identifying risks, including error or fraud, in terms of:

- Whether the process exists and is documented.

The Group, at the request of the Company's Audit Committee, has a catalogue of key risks which includes those that can have an impact on the internal control of financial information. This catalogue was prepared using the COSO II (Committee of Sponsoring Organizations for the Commission of the Treadway Commission) methodology. The uniformity of the projects carried out over time and the existence of a relatively small number of contracts affords a certain stability to the catalogue of key risks in relation to the internal control of financial information.

In the process of adapting ICFR to the recommendations of the Comisión Nacional del Mercado de Valores (CNMV) (National Securities Commission), the traceability between the Group's catalogue of key risks with an impact on financial information and the key business processes that can affect the financial statements was observed and it was verified that most of the key risks impact and/or are sufficiently managed by the processes.

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

The Group has defined the activities and processes that cover the transactions which can affect the financial statements, as well as the objectives and risks associated therewith, the existing controls and the procedures associated with those controls.

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

- The existence of a process for identifying the scope of consolidation, bearing in mind the existence of complex business structures, instrumental entities or special purpose vehicles, among others.

The consolidated Group has no complex business structures, instrumental entities or special purpose vehicles. Consequently, these are no factors that are deemed to pose a risk to financial reporting. However, Corporate Finance review the consolidation parameters quarterly and the external auditors review it every six months.

The classification of the different Group enterprises as subsidiaries, associates or jointly controlled entities for accounting purposes is in keeping with the Group's policies and is reviewed by Corporate Finance and the external auditors.

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

The internal control of business operations requires the evaluation of different types of risks (legal, technical, environmental, etc.). The financial reporting process takes the evaluation of these risks into account.

- Which governing body supervises the process

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

Transactions not associated with regular operations are analysed in detail by the Group's management, who may request assistance from outside experts as needed.

F.3 Control activities

State whether the following exists and, if so, describe the main characteristics:

F.3.1 Procedures for reviewing and authorizing financial information and description of the ICFR to be reported to the stock markets, and persons responsible for the documentation that describes the activity flows and controls (including those relative to the risk of fraud) of the different types of transactions that can have a material effect on the financial statements, including closing procedures and special reviews of the most relevant judgments, estimates and forecasts.

Executive management, through Corporate Finance primarily, is responsible for reviewing the financial information. The stand-alone and consolidated annual accounts and interim financial statements are reviewed by the Audit Committee, in collaboration with the external auditors who give their recommendations. The Chairman and the Vice President review and approve the annual accounts, which are then drafted by the Board of Directors. The financial information for Q1 and Q3 is also reviewed by the Audit Committee. The Audit Committee is responsible for supervising ICFR, with the assistance of the Company's internal and external auditors.

The Group has procedures and controls in place to cover the main transactions that can affect the financial statements, including:

- Project estimates and execution, including engineering design, procurement management, construction and cost control: Estimate of results, Determination of project progress; and currency control.
- Cash management.
- Billing and collections management.
- Taxation.
- Reporting and consolidation process.

Procedures that are considered essential contain a detailed description of the activities and sub-activities and the manner in which they are to be performed. The different levels of responsibility associated with the performance of the different activities are also defined. The General Work Instructions (GWIs) or procedures prepared by the Company for internal control purposes are available on the Company's corporate intranet.

The Group's annual accounts report on the relevant areas that require judgments and estimates, most of which are associated with the activities of Corporate Operations and are established according to the approved policies and procedure. Corporate Finance reviews these estimates, using specific procedures that are in line with the policies and standards contained in the Accounting Policy Handbook, the contents of which are consistent with International Accounting Standards and have been reviewed by the external auditors.

[F.3.2. Internal control policies and procedures for information systems \(safe access, change control, operations, continuity of operation and segregation of functions, among others\) that support the entity's relevant processes in relation to the preparation and publication of financial information.](#)

The financial reporting system used by Técnicas Reunidas is SAP ("Systems, Applications and Products in Data Processing"). The SAP system falls within the scope of the Company's Information Safety Management System, which is certified according to the ISO/IEC 27001.2005 international standard. System access is by password-protected with individual passwords that must be changed quarterly.

Currently, there are development, testing and production environments in the SAP system. Any changes to system programs or parameters are carried out in the Development environment and then transported to the Test environment. Once validated, they are transferred to the Production environment. This way, every system change is registered in the transport process to the Production environment.

The documentation related to the SAP system that is part of the Information Safety Management System currently in effect is as follows:

- Information Safety Policy.
- Information Safety Management System handbook.
- The procedures for controlling change, access, operations, continuity and segregation of IT functions.

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

The Group also uses specific applications for all or the processes in the life cycle of material management and procurement, operations, and financial statement planning and consolidation. There are safety, access control and continuity of operation policies in place for these applications.

[F.3.3. Internal control policies and procedures intended to supervise the management of the activities outsourced to third parties and the evaluation and calculation responsibilities entrusted to independent experts which can have a material effect on the financial statements.](#)

At the 2016 year end, there weren't activities or processes outsourced to third parties that could be considered relevant to the financial reporting process. The services of independent experts have been engaged to perform evaluations, calculations or assessments that could have a material effect on the financial statements, fundamentally those related to the assessment of staff-related or litigation-related liabilities. In these cases, the services are rendered by reputable, specialized firms. Legal Department supervises the services performed by these third parties.

[F.4 Reporting and communications](#)

State whether the following exists and, if so, describe the main characteristics:

[F.4.1. A specific function responsible for defining accounting policies and keeping them up to date \(accounting policy area or department\) and resolving questions or conflicts arising from their interpretation,](#)

keeping the lines of communication open with the people responsible for operations within the organization as well as a manual of accounting policies that is kept up to date and distributed to the entity's operating units.

The Accounting and Consolidation Unit, which reports to the Director of Finance, is the area responsible for identifying, defining and keeping the Group's accounting policies up to date and for answering questions or settling conflicts in connection with their Interpretation. The Group has an Accounting Policy Handbook which is revised and updated periodically by the external auditors. The subsidiaries are informed of the accounting policies and any changes to them through regular internal meetings. Likewise, Corporate Finance is responsible for reporting any changes made to the Accounting Policy Handbook to the Audit & Control Committee.

The financial Information Control Policy includes the performance of external audits, compulsory or voluntary, almost over all the subsidiaries which are integrated in to the consolidation perimeter (even though they are not significant subsidiaries). These audits are requested to well-known international auditing firms.

F.4.2. Mechanisms for gathering and preparing standardized financial information that apply to and are used by all business units and that support the primary financial statements and notes to the financial statements, as well as detailed information on ICFR.

The process of consolidation and preparation of the financial information is centralized. The centralized financial reporting system, which is managed directly by the Group's Corporate Finance area, covers 80% of the Group's business volume. The remaining financial reporting comes from the financial statement previously reviewed by external auditors, after which they are standardized by Corporate Finance. In addition, the Group has control mechanisms in place to ensure that the financial information includes all of the disclosures necessary to be properly interpreted by the markets.

F.5 Supervision of systems operations

Describe the main characteristics, at least, of:

F.5.1. State whether there is an internal audit function whose responsibilities include assisting the Audit Committee with the task of supervising the internal control system, including ICFR. Also describe the scope of the ICFR evaluation performed during the year and the procedure whereby the person responsible for the evaluation reports his or her findings, and whether the entity has an action plan with the corrective measures referred to in the evaluation, considering the impact on the financial information.

The Group has an Internal Audit area that presents an audit plan each year along with the incidents identified during the audits conducts and a report on its activities. The functions of this area include reviewing the control systems of specific divisions or projects which are considered materially relevant to the fiscal year in progress, reporting periodically on the weaknesses detected during their audits and the measures proposed to correct them.

The Group's Corporate Finance area along with the Audit Committee agreed to adapt and adjust the existing internal control model for financial reporting to bring it in line with the specific recommendations of the CNMV in the guidelines for preparing the description of the financial reporting internal control system, as well as its revision by third parties.

F.5.2. State whether there is a discussion procedure whereby the auditor (pursuant to the terms of Auditing Standards), the internal audit and/or other experts are able to report any serious weaknesses found in the internal control system to upper management and the Audit Committee during the year. Also, state whether there is an action plan for correcting or mitigating any weaknesses encountered.

In order to comply with the powers entrusted to it by the Board of Directors, the Committee Audit has maintained during the year 2016 a total of ten meetings, attended by those responsible for the Financial Management and Internal Audit. In these meetings held previously include the publication of periodic financial information of the

Company to obtain and analyze this information. In such Meeting the stand-alone and consolidated financial statements, interim financial statements and quarterly financial reports are reviewed, briefing notes on results forwarded to the CNMV and any other information that is considered its interest. On the occasion of meetings of the Audit & Control Committee aimed at reviewing the annual accounts -in which requires the presence of external-auditors, they present a set of recommendations related to, among other things, internal control resulting from its ordinary work as auditors of the Group. It has been entrusted to the external auditors performing a specific job, in conjunction with the Internal Audit, for the ICFR assessment implemented at year-end 2015.

F.6 Other relevant information

There is no relevant information not included in the previous sections.

F.7 Report of the external auditors

Report on:

F.7.1. Whether the ICFR information reported to the markets is reviewed by an external auditor, in which case the entity should include the auditor's report. Otherwise, a reason should be given for not having done so.

During the financial year 2017 the external auditor for the financial year 2016 will review it for its late publication.

G - DEGREE TO WHICH CORPORATE GOVERNANCE RECOMMENDATIONS ARE FOLLOWED

Indicate the degree of monitoring of the company with respect to the recommendations of the Code of good governance of listed companies.

In the event that any recommendations are not followed or partially followed, a detailed explanation of their reasons should be included so that shareholders, investors and the market in general have enough information to assess the company's behavior. General explanations will not be acceptable.

1. The by-laws of listed companies should not limit the maximum number of votes a single shareholder can cast, nor contain other restrictions that make it difficult to take control of the company by means of the acquisition of its shares on the market.

Compliant

2. When the parent company and a subsidiary company are both listed, the following should be precisely and publicly defined:
 - a) Their respective areas of activity and possible business relations between them, as well as those of the subsidiary listed company with other companies belonging to the same group;
 - b) The mechanisms in place to resolve any conflicts of interest that may arise.

Not applicable

3. That during the ordinary General Meeting, as a complement to the written dissemination of the Annual Corporate Governance Report, the chairman of the Board of Directors should verbally inform the shareholders in sufficient detail of the most relevant aspects of corporate governance of the company. Company, and in particular:

- A) Changes that have occurred since the previous ordinary general meeting.
- B) Of the specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and, if they exist, of the alternative rules that it applies in that matter.

Compliant

- 4. That the company defines and promotes a policy of communication and contacts with shareholders, institutional investors and voting advisors that is fully respectful of the rules against market abuse and gives similar treatment to shareholders who are in the same position.

And that the Company makes public this policy through its website, including information regarding how it has been implemented and identifying the partners or those responsible for carrying it out.

Compliant

- 5. That the board of directors does not submit to the general meeting a proposal for delegation of powers to issue shares or convertible securities, excluding the pre-emptive subscription right, for an amount in excess of 20% of the capital at the time of the delegation.

And that when the board of directors approves any issue of shares or convertible securities excluding the pre-emptive subscription right, the company immediately publishes on its website the reports on such exclusion referred to in the commercial law.

Compliant

- 6. Listed companies to develop the reports listed below, either way mandatory or voluntary, publish them on their website well in advance of the conclusion of the ordinary general meeting, although its distribution is not mandatory:
 - a) Report on auditor independence.
 - b) Reports functioning of Audit & Control Committees and Appointments and Remuneration Committees.
 - c) Report of the audit committee on related party transactions.
 - d) Report on corporate social responsibility policy.

Partial Compliant

The Company has issued and published on its website some of these reports in advance of the conclusion of the ordinary general meeting.

- 7. Shareholders General Meetings should be transmitted in stream on their website:

Explain

The Company has not received any requests to carry out this action.

- 8. The audit committee to ensure that the Board of Directors shall present the annual accounts the general meeting of shareholders without limitations or qualifications in the audit report and in the exceptional cases where there are exceptions, both the chairman of the audit committee and the auditors should clearly explain to shareholders the content and scope of such limitations or qualifications.

Compliant

- 9. The company should make public on its website permanently, the requirements and procedures which accept to prove ownership of actions, the right to attend the general meeting of shareholders and exercise or delegation of voting rights.

And that such requirements and procedures favor the assistance and exercise of their rights shareholders and applied in a non -discriminatory manner.

Compliant

10. When some legitimate shareholder has exercised, prior to the holding of the meeting General shareholders the right to complete the agenda or to submit new proposals agreement, the company
- a) To disseminate such additional points immediately and new proposals agree.
 - b) Make the model public attendance card or voting delegation form or distance voting with the changes required to be voted on the new items on the agenda and alternatives proposed resolutions on the same terms as those proposed by the Board administration.
 - c) Submit all those points or alternative proposals to the vote and apply to them the same rules vote than those made by the board of directors, including, in particular, presumptions or deductions about the meaning of the vote.
 - d) After the general meeting of shareholders, announce the breakdown of the vote on such complementary points or alternative proposals.

Compliant

11. That in the event that the company intends to pay premiums for attendance at the general meeting of shareholders, establish, before a general policy on such premiums and the policy is stable.

Not applicable

12. That the board perform its duties with unity of purpose and independence judgment, affording equal treatment to all shareholders who are in the same position and be guided social interest , understood as achieving profitable and sustainable long-term business , to promote continuity and maximizing the economic value of the company. And in the pursuit of social interest, in addition to compliance with laws and regulations and a behavior based on good faith, ethics and respect for the customs and good practices commonly accepted social interests seek to reconcile himself with, as appropriate, legitimate interests of its employees, suppliers, customers and those of other interest groups they may be affected and the impact of company activities in the community a whole and the environment.

Compliant

13. The board possess the right size to ensure effective operation and participatory, making it advisable to have between five and fifteen members.

Compliant

14. . The board approved a policy of selection of directors:
- a) Be specific and verifiable.
 - b) Ensure that proposals for appointment or reappointment are based on a preliminary analysis of the needs of the Board.
 - c) To encourage the diversity of knowledge, experience and gender.

The result of the previous analysis of the needs of the board is collected in the report justifying the appointments to be published by convening the general meeting shareholders the ratification, appointment or re-election of each director is submitted.

And the selection policy advisers promote the goal that by 2020 the number of directors represents at least 30 % of the total members of the board.

The nomination committee shall annually compliance with the selection of directors and it is reported in the annual corporate governance report.

Compliant

15. Proprietary and independent directors constitute a broad majority of the Board of Directors and the number of Executive Directors beach the minimum necessary, taking into account the complexity of the corporate group and the percentage of participation of executive directors in the capital of the Company.

Compliant

16. The percentage of proprietary directors on total non-executive directors is not greater than the proportion between the capital of the company represented by such directors and the rest of the capital. This criterion can be relaxed:

- a) In large capitalization companies where few shareholdings that are legally considered significant.
- b) In the case of companies in which a plurality of shareholders represented on the Board and there are no links between them.

Compliant

17. The number of independent directors should represent at least half of all board members.

That, however, when company is not large cap or when, still remain so, expect a shareholder or several acting together, that control more than 30% of the share capital, the number of independent directors should represent at least one-third of all board members:

Compliant

18. Companies should make public through its website and keep updated the following information on their directors:

- a) Professional experience and background.
- b) Other boards to which they belong, whether or not of listed companies, as well as other paid activities do whatever their nature.
- c) An indication of the category of director to which they belong, indicating, in the case of proprietary directors, the shareholder they represent or have links with.
- d) Date of their first appointment as company director, as well as subsequent re-elections.
- e) Company shares and share options, of which they hold.

Compliant

19. That the annual corporate governance report, after verification by the Appointments Committee, the reasons why proprietary directors have been appointed at the request of shareholders whose stake is less than 3% of the capital are explained; and the reasons why they had not attended, if any, formal requests for presence on the Board from shareholders whose equity stake is equal to or greater than that of others at whose request a proprietary directorship.

Not applicable

20. That proprietary directors resign when the shareholder they represent transfers their shareholding in full. And also do so, in the number that corresponds, when said shareholder reduces his shareholding to a level that requires the reduction of the number of his proprietary directors.

Not applicable

21. The Board of Directors does not propose the removal of any independent director before the statutory period for which he had been appointed, except where just cause is found by the Board of Directors following the report of the appointments. In particular, it is understood that there is just cause when the director takes over as new charges or contract new obligations that prevent devote the time necessary to the performance of the duties of the office of director, fails to fulfil the duties inherent in his position or

incurred in some circumstances that make it lose its independent status in accordance with the provisions of applicable law.

It may also be proposed separation of independent directors as a result of takeover bids, mergers or other similar corporate transactions that represent a change in the capital structure of the company, when such changes in the structure of the board are favored by the criterion proportionality indicated in recommendation 16.

Compliant

22. Companies should establish rules that oblige directors to inform and, where appropriate, to resign in those cases which may damage the credit and reputation of the company and, in particular, are obliged to inform the board of any criminal they appear as an accused and his subsequent trial.

And if a director or is issued against him for the commencement of trial for any of the offenses listed in the corporate law, the board should examine the case as soon as possible and, in view of the specific circumstances, decide whether or not the director should remain in office. And that all the board aware of determinations in the annual corporate governance report.

Compliant

23. All directors clearly express their opposition when they consider that any proposed decision submitted to the board of directors may be contrary to the social interest. And this should apply, specially, independents and other directors unaffected by the conflict of interest, in the case of decisions that may damage the shareholders not represented on the board.

And when the board adopts material or reiterated decisions about which a director has expressed serious reservations, this draw the appropriate conclusions and, if he chooses to resign, explain the reasons in the letter to the recommendation refers. This recommendation also applies to the secretary of the board, even without a director.

Compliant

24. When, either by resignation or for other reasons, a director leaves office before the end of its mandate, explain the reasons in a letter sent to all members of the board. And that, notwithstanding such resignation as a significant event, the reason for the withdrawal is explained in the annual corporate governance report.

Compliant

25. That the appointments to ensure that non-executive directors have sufficient time available for the proper performance of their duties. And that the Board regulations set the maximum number of boards of companies which may form part of.

Partially Compliant

Article 26 of the Board of Directors Regulations establishes that the directors will be obliged to gather information and prepare themselves for the meetings of the Board and, if applicable, of the delegated bodies to which they pertain and Article 34 of the Board of Directors Regulations establishes within the duties of the directors, to inform the Company of the positions that they occupy on the Board of Directors of any other quoted companies and, in general of the events, circumstances or situations that could be relevant for their functions as administrator of the Company in accordance with the content of this Regulation. Although there are no other additional approved regulations related to the number of boards on which they may perform as directors.

26. That the board of directors meets with the necessary frequency to properly perform its functions, and at least eight times a year, following the schedule of dates and matters established at the beginning of the year, to which each director individually to propose items the agenda not initially envisaged:

Compliant

27. Non-attendance of directors are reduced to the bare minimum and quantified in the annual corporate governance report. And when should occur, representation is granted with instructions.

Compliant

28. When directors or the secretary express concerns about some proposal or, in the case of directors, about the progress of Company and such concerns are not resolved at the board, at the request of the person expressing, is a record of them in the minutes.

Compliant

29. The company should establish appropriate channels for directors to get the advice they need to fulfill their duties including, if required by circumstances, external assistance to the company.

Compliant

30. That, regardless of knowledge that Directors are required for the exercise of their functions, societies also offer Directors refresher programs when circumstances so warrant.

Compliant

31. The agenda of the sessions clearly indicate those points on which the board shall adopt a decision or agreement for directors to study or seek, in advance, the information required for its adoption.

Where, exceptionally, for reasons of urgency, the president wants to submit to the approval of the board decisions or agreements not given in the agenda, you will require the express prior consent of the majority of the directors present, which is cease duly recorded in the minutes.

Compliant

32. The directors are regularly informed of the movements in the shareholding and opinion that significant shareholders, investors and rating agencies have on the company and its group.

Compliant

33. That the president, responsible for the effective statutory of the board of directors, in addition to exercising the functions conferred by law and, prepare and submit to the board a program of dates and issues to be addressed; organize and coordinate the periodic evaluation of the board and, where appropriate, the chief executive of the company; is responsible for the management board and the effectiveness of its operation; It ensures that sufficient time is devoted to discussion on strategic issues, and review and agree refresher programs for each director, when circumstances require.

Compliant

34. When there is a coordinating director, statutes or regulations of the board of directors, in addition to the powers legally entitled, attributed the following: chairing the board in the absence of the president and vice presidents, if any; echoing the concerns of non-executive directors; maintain contacts with investors and shareholders to ascertain their views in order to form an opinion about their concerns, particularly in relation to the corporate governance of Company; and coordinate the president's succession plan.

Partially Compliant

The powers of the Independent Coordinating Director are those provided for this purpose in article 529.2 of the Capital Companies Act and developed in the Company's regulations, in particular in article 25 of the Bylaws and 8.7 of the Regulations of the Board of Directors. Administration.

35. That the secretary of the board of directors ensure in a special way that in its actions and decisions the board of directors has in mind the recommendations on good governance contained in this Code of good governance that are applicable to the company.

Compliant

36. The board of directors fully evaluated once a year and adopt, if necessary, an action plan to correct the deficiencies identified in respect of:

- a) The quality and efficiency of the board.
- b) The functioning and composition of its committees.
- c) Diversity in the composition and powers of the board.
- d) The performance of the chairman of the board and chief executive of Company.
- e) The performance and contribution of each director, paying particular attention to those responsible for the various board committees.

Assessment of the different committees will be based on the report which is raised to the shareholders General Meeting and, for this, the one raised to the appointments commission. Every three years, the board will be assisted to carry out the evaluation by an external consultant, whose independence will be verified by the appointments commission. Business relationships that the consultant or any company in its group have with the company or any company of its group should be broken down in the annual corporate governance report. The process and the evaluated areas will be further described in the annual corporate governance report.

Compliant

37. When there is an executive committee, the participation structure of the different categories of directors is similar to that of board of directors and its secretary is the later one.

Not Applicable

38. The Board should always be aware of the matters dealt with and the decisions taken by the Executive Committee, and all Board members should receive a copy of the minutes of the Executive Committee's sessions.

Not Applicable

39. Members of the audit committee, and particularly its chairman, should be appointed taking into account their knowledge and experience in accounting, auditing and risk management, and that most of these members are independent directors.

Compliant

40. Under the supervision of the audit committee, provided a unit that assumes the internal audit function to ensure the proper functioning of information systems and internal control and functionally dependent on the non-executive chairman of the Board or of the audit.

Compliant

41. The head of the unit that assumes the internal audit function present to the Audit Commission its annual work plan directly report any incidents arising during its implementation and submit at the end of each year an activity report.

Compliant

42. That, in addition to those provided for in the law, correspond to the audit the following functions:

1. With regard to information systems and internal control:

- a) Supervising the preparation and completeness of financial information on the company and, where appropriate, the group, reviewing compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of accounting principles.
- b) To ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment, reappointment and removal of the head of internal audit; propose the budget for this service; guidance and approve their work plans, ensuring that their activity is mainly focused on relevant risks of the company; receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
- c) Establish and supervise a mechanism allowing employees to report confidentially and, if possible and appropriate, anonymously, any irregularities of potential importance, especially financial and accounting irregularities within the company.

2. In relation to the external auditor:

- a) In case of resignation of the external auditor, examine the circumstances that have caused it.
- b) To ensure that the remuneration of the external auditor for their work does not compromise quality or independence.
- c) Ensuring that the Company as a significant event to the CNMV the change of auditor and accompanied by a statement of any disagreements with the outgoing auditor and, if they existed, its content.
- d) Ensure that the external auditor annually hold a meeting with the full board of directors to inform the work done and the evolution of accounting and risk situation of Company.
- e) Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, the limits on the concentration of the auditor's business and, in general, other rules on auditor independence.

Compliant

43. The audit committee may call any employee or manager of the company, and also have them appear without the presence of any other manager.

Compliant

44. That the audit committee is informed about the operations of structural and corporate changes that plans to carry the company for analysis and prior to the board on their economic conditions and their accounting impact report and, in particular, where appropriate, on the equation proposed exchange.

Not applicable

45. The policy control and risk management at least:

- a) The different types of risk, financial and non-financial (including operational, technological, legal, social, environmental, political and reputational) which the company faces, including among financial or economic liabilities contingent and other off balance sheet risks.
- b) The level of risk that the company considers acceptable.
- c) Measures in place to mitigate the impact of identified risks, should they materialize.
- d) Information systems and internal control to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.

Compliant

46. That under the direct supervision of the audit committee or, where appropriate, a specialized committee of the board, there is an internal control function and risk management exercised by a unit or internal department of the company that has expressly attributed the following functions.
- a) Ensure the proper functioning of the control systems and risk management and in particular, to identify, manage and adequately quantify all important risks affecting Company.
 - b) Actively participate in the development of the risk strategy and major decisions about its management.
 - c) Ensure that the control systems and risk management adequately mitigate risks within the framework of the policy defined by the board of directors.

Compliant

47. That the members of the Appointments and Remuneration Committee - or the Appointments Committee and the Remuneration Committee, if they are separated - are appointed by ensuring that they have the knowledge, skills and experience appropriate to the functions they are called to perform and that The majority of such members are independent directors.

Compliant

48. That large cap companies have a nominating committee and a separate remuneration committee.

Explanation

The Company currently has a single Appointments and Remuneration Committee.

49. The commission will consult with the chairman of the ad-ministration and chief executive of Company, especially on matters relating to executive directors.

Any director may request the Appointments Committee to take into consideration, if found suitable in his opinion, potential candidates to fill director vacancies.

Compliant

50. That the remuneration committee exercises its functions independently and also functions assigned to it by law, we apply the following:
- a) Propose to the board of directors the basic conditions of the contracts of senior managers.
 - b) Check that the remuneration policy established by the company.
 - c) Periodically review the remuneration policy applied to directors and senior executives, including compensation systems with actions and their implementation, and ensure that their individual remuneration is proportionate to that other directors and senior executives of the company is paid .
 - d) Ensure that any conflicts of interest does not impair the independence of external advice to the commission.
 - e) Verify information on remuneration of directors and senior management contained in the various corporate documents, including the annual report on remuneration of directors.

Compliant

51. That the Remuneration Committee consult with the chairman and chief executive of Company, especially on matters relating to executive directors and senior managers.

Compliant

52. The rules governing the composition and functioning of committees monitoring and control contained in the regulations of the Board and are consistent with those applicable to legally binding commitments under the above recommendations, including:

- a) Which consist exclusively of non-executive directors with a majority of independent directors.
- b) Should be chaired by independent directors.
- c) The Board of Directors appoint the members of these commissions based on the knowledge, skills and experience of the directors and the duties of each committee, discuss their proposals and reports; and accountable, in the first full Board of Directors subsequent to its meetings, its activity and to respond the work done.
- d) That the committees may engage external advisors, when deemed necessary for the performance of their duties.
- e) That minutes of their meetings, which will be made available to all directors lift.

Compliant

53. The job of supervising compliance with the rules of corporate governance, internal codes of conduct and policy of corporate social responsibility is attributed to or be split between several committees of the board that will be the Audit Committee of appointments, the commission of corporate social responsibility, if any, or specialized that the board of directors, in exercising its powers of self-organization, decide to create the effect commission, which will be specifically attributed the following minimum functions:

- a) Monitoring compliance with internal codes of conduct and corporate governance rules of Company.
- b) Monitoring of the communication strategy and relations with shareholders and investors, including small and medium shareholders.
- c) Periodic evaluation of the adequacy of corporate governance system of Company in order to fulfil its mission of promoting social interest and consider, as appropriate, the legitimate interests of other stakeholders.
- d) Review of the corporate responsibility policy of the company, ensuring that is aimed at value creation.
- e) Monitoring of strategy and corporate social responsibility practices and evaluation of their compliance.
- f) Monitoring and evaluation of processes associated with different stakeholders.
- g) The assessment of all matters relating to non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational.
- h) Coordination process reporting non-financial information and diversity, in accordance with applicable regulations and international reference standards.

Partially Compliant

Board Regulation attributes to the Audit and Control Committee the competence to monitor compliance with corporate governance rules, but not exhaustively collect all the minimum functions set out in this recommendation.

54. That the policy of corporate social responsibility includes the principles or commitments which the company voluntarily assume in their relationship with the different stakeholders and identify at least:
- a) The objectives of the policy of corporate social responsibility and the development of support tools.
 - b) The corporate strategy related to sustainability, the environment and social issues.

- c) The specific practices on issues related to: shareholders, employees, customers, suppliers, social, environmental, diversity, fiscal responsibility, respect for human rights and prevention of illegal behaviour.
- d) Methods or systems monitoring the results of the implementation of the specific practices identified in the previous paragraph, the associated risks and their management.
- e) The mechanisms for monitoring non-financial risk, ethics and business conduct.
- f) The channels of communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that prevent manipulation of information and protect the integrity and honour.

Compliant

55. The company should report in a separate document or in the management report on matters related to corporate social responsibility, using any of the internationally accepted methodologies.

Compliant

56. The remuneration should be sufficient to attract and retain directors of the desired profile and to reward the dedication, abilities and responsibilities that the post entails, but not as high as to compromise the independent judgment of the non-executive directors.

Compliant

57. The executive directors is limited variable remuneration linked to company performance and individual performance and compensation through shares, options or rights to shares or indexed to the value of share-based instruments and systems savings long term such as pension plans, pension schemes or other social security systems.

You can also see the delivery of shares as remuneration to non-executive directors when conditioned to hold them until they cease to be directors. This shall not apply to the actions that need alienate counsellor, if necessary, to meet the costs related to acquisition.

Compliant

58. That in case of variable compensation, compensation policies include limits and technical safeguards to ensure that such payments related to the professional performance of its beneficiaries and not only from the general evolution of the markets or the activity sector company or other similar circumstances.

And in particular, the variable components of remuneration:

- a) They are linked to performance criteria that are predetermined and measurable and that these criteria consider the risk taken to obtain a result.
- b) To promote the sustainability of the company and include non -financial criteria that are suitable for creating long-term value, such as compliance with internal rules and procedures of the company and its policies for the control and risk management.
- c) Are set on the basis of a balance between fulfilling short-, medium- and long-term returns for payment performance for continued performance over a sufficient period of time to appreciate their contribution to sustainable value creation, of so that the measuring elements of that performance does not revolve solely around specific, occasional or extraordinary events.

Compliant

59. That the payment of a significant portion of the variable components of remuneration be deferred for a period sufficient to ensure that the conditions have been met previously established minimum performance.

Compliant

60. That the remuneration linked to company earnings take into account any qualifications stated in the external auditor's report that reduce such earnings.

Compliant

61. That a significant percentage of the variable remuneration of executive directors is linked to the delivery of shares or financial instruments referenced to its value.

Not applicable

62. That once attributed shares or options or rights to shares corresponding to the compensation systems, directors cannot transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, or to exercise the options or rights to after a period of at least three years of its attribution.

This shall not apply to the actions that need alienate counsellor, if necessary, to meet the costs related to acquisition.

Not applicable

63. That the contractual agreements include a clause that allows Company to demand payment of variable components of remuneration when payment has not been adjusted to the performance conditions or when you have paid based on data which misstated accredited after.

Explain

The company will take the necessary measures to claim reimbursement of variable components of remuneration when payment has not been adjusted to the conditions of return or when you have paid based on data which misstated accredited after, if necessary, although contractual agreements do not include a clause in this regard.

64. That the payments for contract termination do not exceed a fixed amount equivalent to two years of total annual remuneration and are not paid until the company has been able to verify that the counsellor has met the performance criteria previously established.

Complain

H - OTHER INFORMATION OF INTEREST

1. If it is considered that any relevant principles or significant aspects relating to the corporate governance structure and practices applied by the Company or the Group have not been addressed in this report, describe and explain them below.
2. Please also include any additional information or clarifications relative to the preceding sections of the report, to the extent that they are relevant and non-repetitive.
In particular, please indicate whether the company's corporate governance is bound by any law other than Spanish law and, if so, indicate any information the company is obligated to submit which is not covered in this report.
3. The company should also indicate whether it voluntarily adheres to other codes of ethics or good practices at the international or other levels and, if so, state the name of the code and the date of accession.

Note to section A.10

The shareholders entitled to attend the General Meeting have no restriction on the right to vote.

Note to section B.4

The vote or electronic delegation was used at the General Meeting held on 06/29/2016 by a total of two shareholders, who together held 811 shares.

Note to section C.1.16

During 2016 several senior executives received a multi-year variable remuneration that was not applied in the years 2015 and 2014, so that the overall remuneration of senior executives detailed in section C.1.16 reflects an increase over that declared in the previous exercises partially motivated by this circumstance.

Note to section G.22

The Directors of the Company, upon joining the Board of Directors, receive, among other documents, the Bylaws, the Regulations of the Board of Directors, the Regulations of the General Shareholders' Meeting and the Rules of Conduct in Securities Markets, which regulate these assumptions in detail.

Note to section G.40

The Company has an internal audit function which, under the supervision of the Audit Committee, ensures the proper functioning of the internal information and control systems. Since 2008, the Company has an internal auditor, which is included in the list of senior executives and continues to perform its functions in the Company.

Note to section G.55

The Company is a member of the Global Compact of Corporate Social Responsibility since November 2011 and has renewed its membership commitment in 2012, 2013, 2014, 2015 and 2016. Similarly, among the other outstanding actions in terms of Corporate Social

Responsibility developed by the Company is the preparation of the Integrated Report 2015, prepared according to the GRI G4 methodology.

This annual corporate governance report has been approved by the company's board of directors at its meeting on 02/27/2017.

Indicate whether there have been directors who have voted against or abstained in connection with the approval of this Report.

NO



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 2016 FINANCIAL YEAR

To the Directors of Técnicas Reunidas, S.A.

In accordance with the request of the Management of Técnicas Reunidas, S.A. ("the Entity") and our engagement letter dated June 5, 2017, we have applied certain procedures in respect of the attached "Information regarding the Internal Control System over Financial Reporting" ("ICSFR"), included in section "F" of the Annual Corporate Governance Report ("ACGR") of Técnicas Reunidas, S.A. for the 2016 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 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 2016 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.



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^o 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 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 consolidated annual accounts.
5. Reading the minutes of meetings of the board of directors, audit 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^o 5/2013 of the National Securities Market Commission, dated June 12, 2013, as modified by Circular n^o 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 19, 2017