



TECNICAS REUNIDAS

INTEGRATED REPORT
2017





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CHAIRMAN'S STATEMENT

[102-14]

Dear friend,

Técnicas Reunidas is pleased to publish its Integrated Report 2017 for its General Meeting of Shareholders, where the Company seeks to offer a global vision of its activity during the financial year 2017 and, in particular, its performance on Corporate Social Responsibility and Sustainability.

This new edition of the Integrated Report, as the previous ones, has been drawn up in line with the main international reporting standards, likewise the guidelines of the International Integrated Reporting Framework and the Global Reporting Initiative, having been verified its indicators by an independent third party in accordance with ISAE 3000 (revised).

There are several relevant factors that have affected the performance of the Company during the year 2017. Global economic activity continues in an expansive phase, as confirmed by the perspectives of global economic growth of the International Monetary Fund, which will reach figures close to 4% in 2018 and 2019, amount that will increase to around 5% in emerging economies.

This circumstance is favorable for the interests of the Company. There are also others favorable circumstances such as, for example, the increase in the demand for oil, which will be 2023 of 8 million barrels per day more than in 2016 according to the International Energy Agency and, regarding gas, the decision of many countries to incorporate natural gas into their energy grids.

According to these estimations, oil and gas will maintain their predominant role in supplying energy consumption in the short and medium term, due to various factors such as, for example, the need to meet energy growth, particularly in developing countries,

[102-14]

the need to locate refineries close to consumption points, the adaptation of refineries to environmental standards, the evolution from countries that supply oil to countries that supply products and the increase in demand from the petrochemical industry.

Técnicas Reunidas has a wide geographical diversification and high industrial recognition in its areas of activity, with a high recurrence of customers, which allows it to take advantage of this growth.

During 2017 the awards were 4,600 million Euros, with very relevant projects in Mexico, Azerbaijan, Oman and Saudi Arabia, this last one for our client Saudi Aramco, the largest energy company in the World that has trusted in Técnicas Reunidas in 19 occasions, being one of its main contractors. With the exception of the project awarded in Mexico, all the others begin their construction phase throughout 2019, circumstance that has implied a new challenge for Técnicas Reunidas in terms of planning and management of its human capital.

We are aware of the footprint that our activity generates in society. In the period between 2008 and 2017, the contribution of Técnicas Reunidas to the Spanish GDP has amounted to almost 6,850 million Euros, both directly and indirectly, generating value and wealth. This figure translates into highly skilled employment. Técnicas Reunidas closed the year 2017 with around 8,500 professionals, more than half located in Madrid, including 1,597 industrial engineers, 884 chemical engineers, 393 road engineers, 190 mining engineers and 513 engineers from other disciplines. It also translates into allowing the internationalization of many Spanish companies that accompany our projects: 350 Spanish companies participated in 2017 in our projects in 38 countries.

The Company has continued betting strongly for efficiency, through the use and development of proprietary technologies in areas such as chemical processes that constitute a source

of differentiation from our competitors and allow us to have an increasingly better positioning in projects with high added value such as projects for services, either in the support to the management of projects and FEEDs (Front End Engineering Design) or by the collaboration with clients in different aspects and phases of the launching of their investments. These high added value services, on which the Company has focused their efforts, can be very profitable when they have subsequently been converted into turnkey execution schemes and allow us to align ourselves as much as possible with the client's needs.

Técnicas Reunidas has maintained during the year 2017 its commitment to Sustainability and Corporate Social Responsibility, taking into consideration in its overall global activity the Sustainable Development Objectives of the United Nations. The effort developed in this area has allowed us to achieve very positive milestones such as, for example, achieving for the first time the level of leadership in Climate Change for the Carbon Disclosure Project.

We have closed, one more time, a year in which we think it that the hard work and effort has been worthy.

I do not want to end without thanking all our collaborators, those who are now and those who have been, for their commitment to this adventure that began only 58 years ago. And we work every day to be many more.

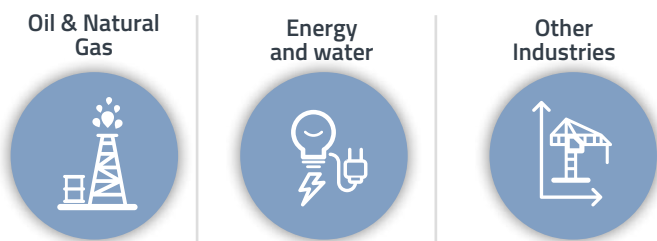
José Lladó Fernández-Urrutia

2

TÉCNICAS REUNIDAS AT A GLANCE

Técnicas Reunidas is a recognised international contractor in the field of management, engineering, design, procurement, construction and commissioning of complex industrial plants for a wide range of clients all across the globe.

Its main areas of business are:



Main figures for 2017

€5,068 m
in revenues
(+6% on 2016) (+21% on 2015)

€100 m in EBIT
(-48% on 2016) (+16% on 2015)

100% of Director's attendance to Board meetings

8,644 professionals of 70 nationalities

€10.3 m assigned to R&D&I

31% decline in the recordable incident rate on 2015

77% of purchasing and subcontracting with local companies⁽⁵⁾ (+21 on 2015)

€4,020 m in purchasing and subcontracting⁽¹⁾ (+24% on 2015)

TR PRESENCE ACROSS THE WORLD AND MAIN CONTRACT AWARDS IN 2017



Main contracts awarded in 2017

- Duqm refinery in Oman.
- Modernisation of the Heydar Aliyev refinery in Azerbaijan.
- Hawiyah & Haradh gas plant in Saudi Arabia.
- Tierra Mojada combined cycle plant in Mexico.

(1) Final figure taking into account billing dates.

(2) Partnerships with organisations promoting education, health, socially-oriented business initiatives and schemes involving culture and civil society.

(3) These figures were affected by the sharp depreciation in value of the dollar against the euro (-14%). Drawing the same comparison in dollars, the Company's portfolio grew by 6% in 2017, from 11,100 to 11,800 million dollars.

(4) PQI (Project Quality Index) is an indicator of project quality used by Técnicas Reunidas' major clients in the Middle East. Its aim is to measure the quality of projects during all three phases, i.e. engineering, procurement and construction.

(5) In 2016, the criteria for reporting the amount of local purchases and construction subcontracts were adjusted. The evolution included in this report incorporates the updated data with the new calculation criterion to allow its comparability and homogeneity. Local purchases and subcontracts include those made by foreign subsidiaries, branches and Joint Ventures. International purchases and subcontracts include those managed from Spain even though they are awarded internationally.

Throughout its almost **60-year** history, Técnicas Reunidas has designed and managed the construction of more than **1,000 industrial plants** in over **50 countries**. Its clients include many of the major national and multinational oil companies.



€534,264

earmarked for social partnerships⁽²⁾

57 projects currently in progress in **24 countries** around the world

€9,870 m

portfolio at year-end 2017 ⁽³⁾
(-7% on 2016) (-19% on 2015)

€4,624 m

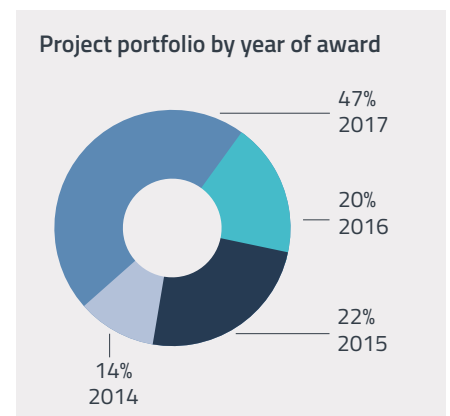
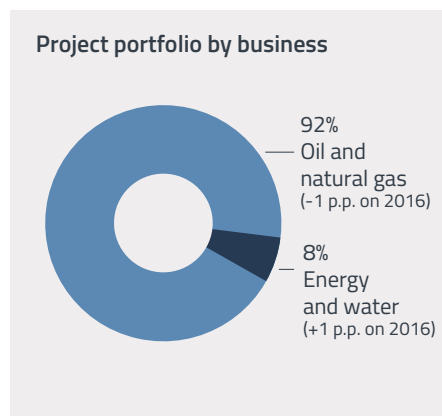
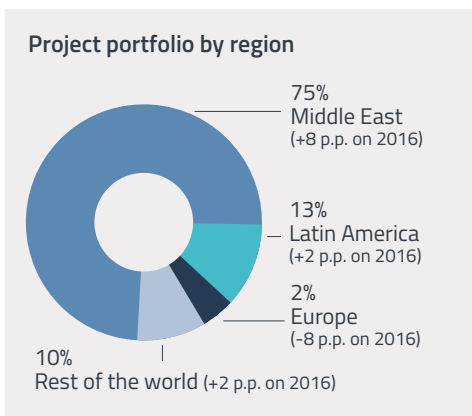
in contract awards in 2017
(+58% on 2016) (-31% on 2015)

50% repeat business in terms of projects awarded

92.2/100

project quality index (PQI) ⁽⁴⁾
(+3.1 percentage points on 2015)

Técnicas Reunidas portfolio in 2017



The Company has a solid portfolio in the Middle East - the most important geographical area in the Oil & Gas market - with significant investments in mega-projects both planned and in progress.

Técnicas Reunidas has ensured that its portfolio in the Middle East is highly diversified, with projects contracted in various countries (Saudi Arabia, United Arab Emirates, Oman, Kuwait, Bahrain...) with a wide range of clients.

At the same time, the portfolio consists largely of projects awarded by Técnicas Reunidas' repeat clients - a clear indicator of the Company's high levels of achievement in the implementation of projects. In addition, 90 % of clients are national oil companies, while 10 % are other types of clients (e.g. private energy companies, etc.).



3

OUR
ACTIVITY

3.1 BUSINESS AREAS

OIL AND NATURAL GAS [102-2]; [102-4]; [102-6]; [102-7]

In a complicated global market context and where fossil fuels are extracted from very diverse sources (deposits, tar sands, fracking), the price of oil has been adjusted and, consequently, investments linked to traditional fields have suffered some delay. However, throughout the year Técnicas Reunidas has achieved, either alone or in consortium, very important awards with key clients, while at the same time it has completed very notable projects in different regions.

Revenues in the Oil and Natural Gas area remained in line with last year's, with a slight increase of 0.4%, amounting to 4,282 million euros and representing 85% of Técnicas Reunidas' revenues in 2017.

The Oil and Natural Gas business area (*Oil&Gas*) provides management, administration, engineering, procurement, construction and start-up services for facilities at every stage of the oil and natural gas value chain. The management of risks linked to investments has become a key activity in the current situation. The Company is also an experienced in-house developer of basic design for specific units for facilities and projects, facilitating verification of functionality and operability, and offering greater efficiency, ensuring also the incorporation of new technologies to its working methods.



OIL AND NATURAL GAS

TYPES OF PROJECT



Refining and Petrochemicals (Downstream)

- Management, design, procurement, construction, start-up, modernisation and expansion of refineries.
- Petrochemical plants for the production of monomers, polymers and various plastics.
- Chemical plants.

Oil and Natural Gas (Upstream)

- Development projects that cover the entire natural gas value chain (treatment, fractionation, storage and transport).
- Oilfield primary processing.

Proprietary Development Projects

- In-house basic and conceptual design for specific units not subject to licensing.
- Design, supply and construction of heat transfer equipment.

MAIN FIGURES



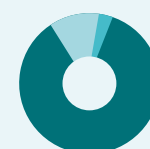
More than **800** refining, petrochemical and chemical unit projects and studies, and 70 upstream and gas plants designed and constructed across the globe.

€4,624 million awards in 2017.

€4,281.5 million in sales.

€9,080 million in the portfolio.

% of Company revenues



84.5% Oil and Natural Gas

2017 MILESTONES

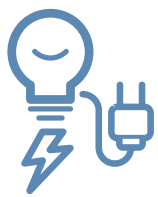


- Award by Duqm Refinery and Petrochemical Industries Company (DRPIC) of the implementation of the turnkey contract for the processing unit project at Duqm's new refinery in Oman.
- Award by the State Oil Company of the Azerbaijan Republic (SOCAR) of the implementation of the modernisation and reconstruction of the Heydar Aliyev refinery in Baku (Azerbaijan).
- Award by Saudi Aramco of the project for the Hawiyah & Haradh Gas Compression Facilities in Saudi Arabia.
- Award by Nova Chemicals of the AST2 project for a polyethylene plant in Ontario, Canada.
- Delivery of projects including the refining units for the Optara project for Total in Belgium and the Chem-III project for Sadara (a joint venture between Saudi Aramco and Dow Chemical) in Saudi Arabia.
- Significant progress in projects including the Al-Zour refinery for KNPC, the Fadhili gas plant for Saudi Aramco and the Clean Fuels project at the Ras Tanura refinery, also for Saudi Aramco.

ENERGY AND WATER [102-2]; [102-4]; [102-6]; [102-7]

In 2017, the Energy and Water area increased, once again, its sales to 454 million euros (15% more than in 2016) thanks to the contribution of projects such as the biomass power plant for MGT Teesside (England), the Kilpilahti electricity generation plant for Neste, Veolia and Borealis (Finland), the Turow coal plant for Polska Grupa Energetyczna (Poland) or the combined-cycle gas plant in Tierra Mojada (Mexico) for Fisterra.

With respect to the water area, Técnicas Reunidas has extensive experience in large seawater desalination plants through reverse osmosis and continues with the operation and maintenance of the Perth desalination plant, which produces more than 100 million m³ per year.



The Energy and Water Division provides engineering and construction services for industrial energy facilities water management (like desalinization plants) of various kinds and, to date, has been involved in projects representing more than 31,000 MW across 25 different countries. The Company's experience ranges from conducting feasibility studies and basic and conceptual engineering, to complete implementation of large-scale and complex turnkey projects.

ENERGY AND WATER

TYPES OF PROJECT 	Fossil-fuel Power Plants <ul style="list-style-type: none"> Fossil-fuel power plants using different technologies, including combined cycle and cogeneration plants. 	Other Power Plants <ul style="list-style-type: none"> Biomass and waste treatment and/or recovery (power and/or heat generation). Engineering contractor, dismantling and nuclear waste management facilities. Design and supply of heat transfer equipment.
	Desalination plants <ul style="list-style-type: none"> Seawater desalination plants using reverse osmosis and covering all aspects of the project: design, construction, start-up and operation and maintenance in all sizes. 	Other Water plants <ul style="list-style-type: none"> Sewage treatment. Industrial water treatment plants such as demineralizers or water treatment plants.

MAIN FIGURES 	24,000MW installed power in combined cycle power plants and more than 50 cogeneration projects.	Técnicas Reunidas has been involved in the development of over 20 nuclear power plants around the world.	Over 40 years' experience in power plants.	€454 million in sales.	€650 million in the portfolio*.	% of Company revenues 13.5% Energy and Water
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2017 MILESTONES 	<ul style="list-style-type: none"> Award by Fisterra Energy of the turnkey contract for the Tierra Mojada combined cycle plant in Guadalajara (Mexico). Significant progress in power plant projects including the Kilpilahti steam and electricity generation plant in Finland and the combined heat and power plant in Teesside (United Kingdom) through wood pellets (largest plant in the world in its class). 	<ul style="list-style-type: none"> Delivery of benchmark projects such as the conversion of the Los Mina power plant to a combined cycle plant for AES Dominicana in the Dominican Republic and the Ashuganj North combined cycle project for APSCL in Bangladesh.
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*This figure includes the Energy Division portfolio.

OTHER INDUSTRIES ^{[102-2]; [102-4]; [102-6]; [102-7]}

The Other Industries Division has amassed revenues amounting to €102.1 million. Currently, the Company sees Australia and Middle East as major growth markets in this area.



Within this Division, Técnicas Reunidas' projects include:

OTHER INDUSTRIES

TYPES OF PROJECT



Other Industries

- Ecology.
- Ports and coastlines.
- Hydrometallurgy.
- Fertilisers.

Proprietary Development Projects

- Research and development for industrial processes and technologies for the manufacture of nitrogen and phosphorous fertilisers through its subsidiary ESPINDESA.
- Development of proprietary technologies in the field of hydrometallurgy and electrochemistry (recovery of metals and other electrochemical processes).

MAIN FIGURES



ESPINDESA has built **50 industrial plants** in 15 different countries.

The Company has a technology centre for hydrometallurgy and electrochemistry, developing technologies and participating in national and European R&D&I projects.

Over **350,000 tonnes** of zinc are produced globally each year under the Técnicas Reunidas Zincex™ licence.

€102.5 million in sales (a 21.8% increase compared to 2016).

% of Company revenues



2.0%
Other Industries

2017 MILESTONES



- Técnicas Reunidas has advanced in the execution of projects such as the rehabilitation and expansion of the industrial terminal of the port of Aqaba (Jordan).
- Certain assets of the Infrastructure Division linked to the exploitation of administrative franchises have been put up for sale by Técnicas Reunidas, following the strategic decision to discontinue the concession activity.

3.2 OPERATING ENVIRONMENT

Técnicas Reunidas operates in a complex and constantly changing market environment to which the Company must adapt, with special emphasis on its capabilities to manage highly complex projects, control risks, maintain high quality standards and environmental management, as well as the application and development of new technologies.

The rise in the price of oil, which might occur for 2018, as well as the development of economies in the East, would help to produce new investments, both in the oil and gas industry and in other sectors, that would open new business opportunities in conventional areas, as well as infrastructures, power generation, etc.

The Company regularly analyses these trends, defining actions for adapting to them and taking advantage of emerging opportunities, at the same time as managing any identified risks.

MARKET ENVIRONMENT

In recent years, the fall in oil prices has created a complex operating environment for all those involved in the oil and gas sector value chain.

Despite its focus on sectors which are more resilient to falling investment, Técnicas Reunidas' activity has been affected by delays in clients' investment decisions. Yet even in this environment, Técnicas Reunidas has been able to secure important and strategic projects from several of the major energy companies.

Investment decisions by Técnicas Reunidas' clients respond to a constantly changing environment marked by increased demand from emerging countries (over 2% annually over the next five years), ongoing adaptation to new environmental standards, and the need for refineries to evolve towards more complex and profitable configurations.

Técnicas Reunidas' diversification in products and geographical areas enables the Company to successfully take advantage of the new opportunities that arise in relation to its activities.



A STRATEGY ADAPTED TO ITS ENVIRONMENT

This diversification strategy across both products and geographical areas has allowed Técnicas Reunidas to maintain high levels of activity through this crisis scenario. Its focus on activities in refining, petrochemicals, and natural gas treatment and processing (less directly linked to oil prices), along with its strong presence in the Middle East, has been the key to excellent performance in a demanding context over recent years.

In 2017, Técnicas Reunidas has increased its commitment to providing services for its clients during all project development phases, from conceptual analysis to full implementation, through services for basic engineering of unit processes,

including FEED (Front End Engineering Design) and PMC (Project Management Consultancy). These types of services will help strengthen relationships with clients, allowing them to find the technological solution that best fits their business model (see box below).

Finally, the Company maintains a strong commitment to research, development and innovation (R&D&I), and its continual application in the implementation of projects in its business areas. Técnicas Reunidas is currently one of the world's leading companies in the implementation of complex processing units such as hydrocrackers, cokers, flexicokers and high-pressure hydrodesulphurisation units.

Through its know-how, flexibility, commitment to innovation and extensive experience, Técnicas Reunidas brings added value that provides the key to market confidence and credibility, especially among its clients.



TÉCNICAS REUNIDAS' INVOLVEMENT IN FEED PROJECTS

As part of its commitment to creating high added value solutions, the Company carries out numerous conceptual designs, feasibility studies and FEED (Front End Engineering and Design) studies that are not announced individually.

FEED projects and conceptual studies awarded in 2017 include:

- Various engineering contracts for the oil and gas industry in the Sultanate of Oman.
- Six engineering contracts in Chile for ENAP, including basic engineering for the installation of an acidic water treatment unit at its refineries and a framework agreement for detail engineering at the Aconcagua refinery.
- Technical study for the Phasis Oil crude oil refinery in Georgia.

A CHALLENGING, CONSTANTLY CHANGING MARKET ENVIRONMENT

MARKET ENVIRONMENT IN 2017

Slowdown in the decline in crude oil prices

2017 has seen a slowdown in the fall in crude oil prices which over recent years has resulted in reduced investments in exploration and production, and has also had a significant impact on the refining and petrochemical industries. Now that oil prices are stabilising, Técnicas Reunidas can look forward to a client investment environment that will move toward a more stable and favourable scenario.

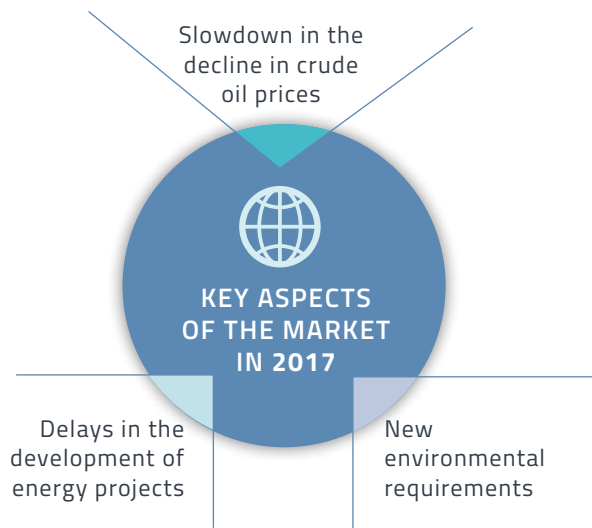
New environmental requirements

At the end of 2016, the International Maritime Organization (IMO) agreed a ban on the use of fuel oil with high sulphur content in international maritime transport. This, jointly with the restriction to circulation of diesel vehicles, will have a noticeable impact on refining activities, especially in less complex refineries. This new regulation could spur new investments in refinery adaptation and, as a result, provide a source of new opportunities for Técnicas Reunidas.

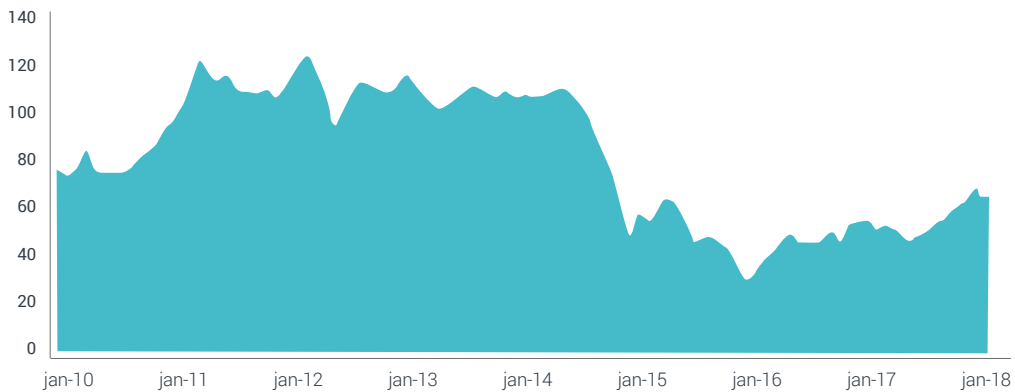
Delays in the development of energy projects

The low oil price scenario has meant that the rhythm of investment by integrated national companies (those present throughout the oil and gas value chain) has slowed their investments.

The slow of the investments has showed in a lower number of projects and a slow of launch of the projects awarded.



Brent crude oil prices January 2010 - January 2018 (\$/barrel)



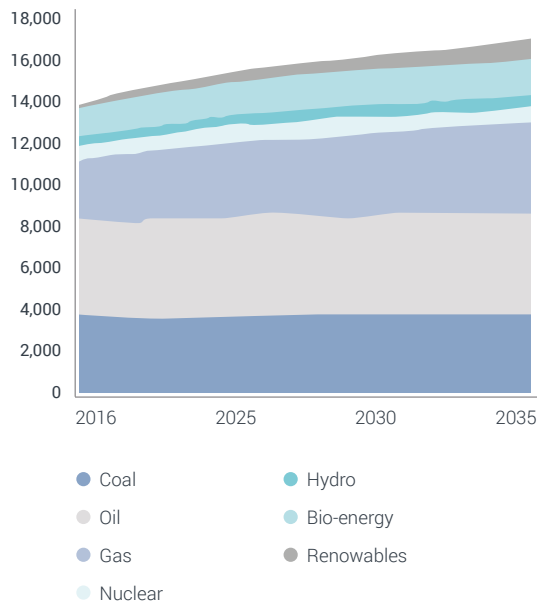
CHANGES IN DEMAND IN MARKETS RELATED TO TÉCNICAS REUNIDAS' ACTIVITIES OVER THE COMING DECADES

GLOBAL ENERGY CONSUMPTION

Global energy consumption will increase by 22% during the 2016-2035 period (at an average annual rate of 1.1%), mainly in India, China and other non-OECD countries.

Between 2016 and 2035, natural gas, renewable energy and oil will represent almost 70% of the energy increase in absolute terms.

Energy demand 2016-2035 (Mtoe)



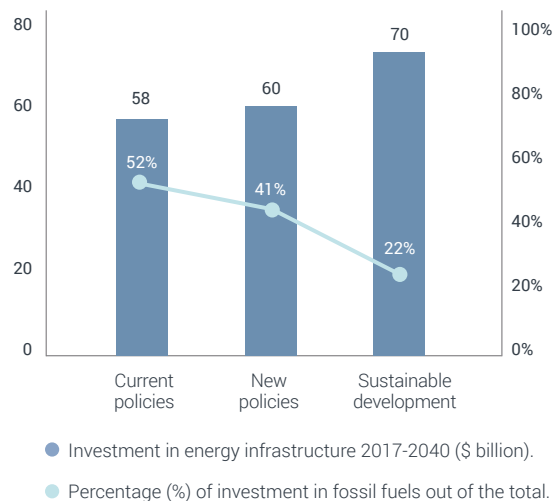
Source: BP Energy Outlook

ENERGY INFRASTRUCTURES

The International Energy Agency (IEA) estimates a total investment of between 58 and 70 billion dollars in energy infrastructures by 2040, representing an average annual investment of 2.52 billion dollars in the most conservative scenario.

In relation to fossil fuels, the IEA estimates a total investment of between 15 and 30 billion dollars in 3 potential future scenarios. Increased energy demand will continue to require infrastructures in this area in order to respond to demand.

Investment in energy infrastructure 2017-2040 (\$ billion) under the 3 scenarios



Source: WEO (World Energy Outlook) 2017. Global energy investment by type and scenario, 2017-2040.

OTHER AREAS RELATED TO THE OPERATING ENVIRONMENT

Besides market developments, the Company could be affected by factors related to other areas of activity.

TÉCNICAS REUNIDAS' ADAPTATION TO TRENDS IN DIFFERENT ACTIVITY-RELATED AREAS



	FINANCIAL ENVIRONMENT	OPERATING ENVIRONMENT	OCCUPATIONAL SAFETY REQUIREMENTS	ENVIRONMENTAL REQUIREMENTS
TRENDS	<ul style="list-style-type: none"> • New models for contracting and implementation that spread client charges (through milestone billing rather than progress payments). • Governments' increased pressure to tax in order to offset deficits. 	<ul style="list-style-type: none"> • Increase of crude oil prices, suggesting an increase in investments over the coming years. • Greater risk for contractors associated with certain contracting models (e.g. turnkey projects). • Increased competition from countries such as China, South Korea and India. • Restructuring of resources and asset optimisation by the major energy sector companies. • New demands from clients in the implementation of projects (e.g. joint ventures and revamping). 	<ul style="list-style-type: none"> • Adaptation of the Company to the local requirements of work safety at all the countries where construction projects are implemented. • Greater demand from clients with regard to qualifications and requirements for personnel with health and safety responsibilities assigned to sites. 	<ul style="list-style-type: none"> • Growing presence in countries with less restrictive environmental standards. • Extension of the reporting boundary to new countries with their own environmental legislation. • Increased demand for environmental requirements by entities such as the World Bank and the International Maritime Organization.
HOW IS THE COMPANY PREPARED?	<ul style="list-style-type: none"> • Increase in available lines of financing of working capital. • Development of policies aimed at an appropriate allocation of profits to the countries in which they are generated. • Optimal treasury management. 	<ul style="list-style-type: none"> • Substantial capacity for management of complex projects. • Know-how and consolidated working procedures. • In-depth knowledge of suppliers and their capabilities, and cooperation policies with key subcontractors and specific suppliers. • Work from all areas on maintaining high levels of quality. • Alliances with competitors on specific projects. • Leverage through proprietary technologies. • Greater integration with clients from the initial phases. 	<ul style="list-style-type: none"> • Implementation of a compliance management system which includes environmental and occupational health and safety risks (HSE). • Training for managers on internationally recognised health and safety standards. • Increased collaboration between human resources and the areas involved in construction phases to optimise occupational safety. • Meetings on safety requirements in certain countries with subcontractors and clients. 	<ul style="list-style-type: none"> • Reinforcement of the assessment system for local suppliers and performance of internal audits on environmental matters. • Adaptation of proprietary technology to meet new environmental requirements. • Keeping ahead of the publication of new regulations. • Identification and monitoring of environmental risks and opportunities. • Monitoring the regulatory implementation by suppliers.



SUPPLY CHAIN AND SUBCONTRACTORS

INNOVATION AND NEW TECHNOLOGIES

GOVERNANCE AND CSR

HUMAN RESOURCES

TRENDS

- Increased importance of sharing management processes and techniques along the supply chain with multicultural businesses in the sector.
- Continued decrease of demand, which may reduce supplier market capacity, and an increasing risk of reduced quality and supply delays.
- Volatility in raw material prices and foreign exchanges.
- Companies' protectionism toward local personnel.
- Reduced number of construction projects in the global market.
- Lack of competitive construction companies to ensure the viability of subcontracting.
- Importance of digitalisation and the use of new technologies to provide increased efficiency, swifter response to clients, reduced costs and other benefits.
- Increase in social acceptance of the use of sustainable raw materials and growing interest in the use of more efficient energy storage units.
- Increased opportunities associated with the improvement of metal recycling processes.
- Emissions reduction in relation to greenhouse gases (NOx, N2O) in regulations governing nitric acid plants.
- Establishment of lines of collaboration with clients, partners, suppliers and subcontractors.
- Increased requirements for disclosure of non-financial information.
- Greater demand for making public policies promoting diversity in companies' senior management.
- Increased activity of corporate governing bodies and the need to strengthen internal monitoring systems and risk management.
- Need to ensure equitable treatment of shareholders and take into consideration the concerns of other stakeholders.
- Required inclusion of CSR at the highest levels of company governance.
- Demand from the clients of increasingly qualified resources that dominate not only the technical aspects but also the management, control, security and quality assurance skills.
- Consolidation of the Company's internationalisation.

HOW IS THE COMPANY PREPARED?

- Development of global technological tools for managing the supply chain, which can be adapted for use by other companies in different locations.
- Reinforcement of Company presence in supplier workshops.
- Inclusion of historical price indicators for materials alongside spot market correction factors during the award procedure.
- Optimised use of insurance to minimise raw material price volatility.
- Management and monitoring of subcontractors carrying out assembly activities, including micromanagement where required.
- Expansion and updating of the Company's global database of subcontractors.
- Technical and financial analysis to ensure subcontractors' capacity to carry out construction work.
- Proprietary developments in all areas of work.
- Digitalisation strategy for boosting competitiveness, adapting to client demands and optimising processes.
- Technical capacity in R&D&I.
- Contact with catalyst suppliers in relation to treatments for minimising greenhouse gases in nitric acid plants.
- Encouragement of project analysis at the start of projects to ensure efficient management throughout the implementation period.
- Introduction to virtual reality.
- Development of a Strategic Plan for CSR.
- Evaluation of policies that strengthen the Company's commitment to diversity.
- Reinforcement of the role of the Board's committees, inclusion of a Lead Independent Director and increased resources for internal monitoring systems.
- Development of the internal documentation in line with best practices in corporate governance.
- Supervision by the corporate governance bodies of the tax and information security risks.
- Creation of communication channels with the main stakeholders.
- Reporting and verification of information on CSR in accordance with the most demanding standards.
- Continuous management training warning of risks and opportunities and developing skills and abilities.
- Special attention to motivation, control and innovation.
- Globalisation of human resource management in close collaboration with the departments and managers concerned.
- Multi-country management: adaptation of internal policies to local labour and tax regulations, as well as local culture, through direct management of our expatriate employees from the destination countries.
- Ongoing implementation of specific tools to enable continuous analysis of the labour market and location of available high-level professionals.
- Establishment of internal rotation policies where required.
- Assignment of key personnel to the projects at the design implementation phase.
- On-site deployment of design personnel in order to improve efficiency and create designs that are better adapted for assembly for specific countries and clients.

4

BUSINESS
MODEL AND
STRATEGIC
PILLARS



4.1 BUSINESS MODEL AND VALUE CHAIN

Técnicas Reunidas is a company involved in the management, administration, engineering, design, procurement, construction and start-up of complex industrial facilities, with almost 60 years' experience across the globe.

The Company has a strong position in the value chain of the oil, gas, energy, nitrogen fertiliser, hydrometallurgy, water and infrastructure sectors, which reinforces its competitiveness and the stability of its activities and has an accredited knowledge to direct, manage and resolve adverse situations.

Its business model is underpinned by a set of defining values such as quality, technology and environmental protection.



Técnicas Reunidas uses its available resources...

... and transforms them through the activities in its value chain...

PEOPLE

- Multicultural teams and adaptation to different markets.
- Flexibility, client-orientation and prioritisation of safety.
- Continuous training for employees during all project phases.
- Established communication and feedback procedures.

For more information, see chapters: 6.2, 6.3 y 6.5

KNOW-HOW AND TECHNOLOGY

- Experience of management of complex projects.
- Optimal design expertise embodied in standards, procedures and methodologies.
- Knowledge of the global market in suppliers and subcontractors.
- *Golden Rules** for complex units requiring extensive experience.

For more information, see chapters: 6.3 y 6.6

FINANCIAL CAPITAL

- Healthy balance sheet.
- Liquidity maintenance policies.

For more information, see chapters: 5.2 y 6.1

MATERIALS AND ENERGY

- Integration of sustainability and environmental management throughout the project lifecycle.

For more information, see chapter: 6.4

RELATIONSHIPS

- Long-term relationships with suppliers and contractors and strict approval and monitoring processes.
- Fluid, regular dialogue with all interest groups.

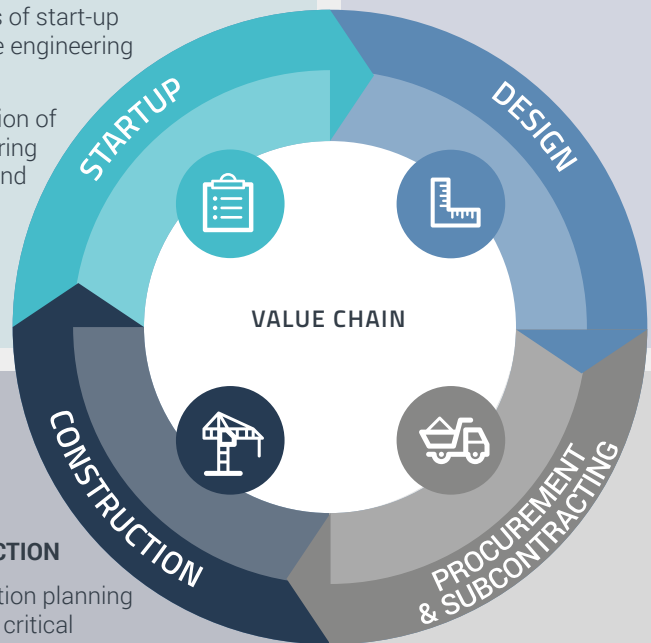
For more information, see chapters: 6.6 y 6.7

START-UP

- Turnkey project delivery.
- Development of plans for pre-commissioning, commissioning and start-up.
- Training for clients in plant operation.
- Analysis of start-up from the engineering phases.
- Integration of engineering teams and design teams.

DESIGN

- Conceptual engineering.
- Basic engineering.
- Front End Engineering Design (FEED).
- Detail Engineering.



CONSTRUCTION

- Construction planning using the critical path method.
- Strategy and planning of critical construction activities.
- Management of materials and construction activities.
- Relationship with clients and economic evaluation.
- Management of subcontractors (micro-management).

PROCUREMENT & SUBCONTRACTING

- Management of supplies and subcontractors throughout the project cycle.
- Improvement processes with critical construction suppliers and subcontractors.

What sets Técnicas Reunidas apart

KNOWLEDGE

Extensive know-how in all project phases, incorporated into a set of standards, procedures, methods of calculation, lessons learned and Golden Rules*.

FLEXIBILITY

Experience and operational structures facilitate swift decision making, readiness for different technologies and rapid response to unexpected changes in projects.

* Técnicas Reunidas' Golden Rules incorporate a series of internal rules and procedures governing the Company's operation. Based on the expertise accumulated over almost 60 years, these rules assure that project management benefits from best practices and lessons learned. They also ensure that the Company pursues its activities following the same model across all its geographical areas and operations.

... with the aim of generating value for its major stakeholders

SHAREHOLDERS

- Orientation of activities toward value generation.



For more information, see chapters: 5.1 y 6.1

CLIENTS

- Adaptation to clients' needs and compliance with commitments.
- Satisfaction guarantee and repeat business.



For more information, see chapters: 6.1 y 6.3

LOCAL COMMUNITIES

- Wealth generation in local environments (employment, development of capabilities, opportunities, etc.)



For more information, see chapters: 6.1, 6.6 y 6.7

SUPPLIERS AND SUBCONTRACTORS

- Business generation and promotion of innovation.
- Support for internationalisation.



For more information, see chapter: 6.6



CHAPTERS OF THE INTEGRATED REPORT REFERENCED:

- | | |
|-------------------------------------------------|---------------------------------------------------|
| 5.1 Governance Model | 6.4 Excellence in Environmental Performance |
| 5.2 Risk Management | 6.5 Occupational Health and Safety |
| 6.1 Control and Management of Financial Capital | 6.6 Efficient Supply Chain Management |
| 6.2 Employees, the Key Pillar for Growth | 6.7 Relationship with Society and Interest Groups |
| 6.3 Innovation | |

INNOVATION

Innovation is considered throughout the value chain as a key lever for the ability to offer clients products with greater added value.

CREDIBILITY

Commitment to the requirements assumed with the client.

CLIENT-ORIENTATION

Added value for clients, providing support in seeking funding to finance their investments, innovation in business models.

QUALITY

A firm commitment to quality management, based on an approach oriented to continuous improvement and learning which is integrated into all processes.

4.2 STRATEGIC PILLARS

The Técnicas Reunidas Group's strategy is based on three fundamental pillars: Methodology, Diversification and Quality.

TÉCNICAS REUNIDAS' THREE STRATEGIC PILLARS

Methodology



One of the competitive advantages that sets Técnicas Reunidas apart is its firm commitment to a **methodology** that helps the Company achieve its objectives.

The Company's **methodology** is based on the development, systematisation and proper implementation of standards, procedures, methods of calculation, lessons learned and *Golden Rules*.

Diversification



Basing part of its strategy on **diversification**, in terms of both clients, products and geographical areas, enhances the Company's resilience and adjustability in a complex, constantly changing market environment.

An extensive range of clients of recognised standing ensures that Técnicas Reunidas consolidates its market

Quality



Since its founding, **quality** has been one of the Company's most prominent values and this has become a strategic area due to its importance in the development of Técnicas Reunidas' projects and its impact on the confidence of both clients, suppliers and subcontractors.

Under the banner 'Working Smart', **quality** assurance in implementation from both the Company and its suppliers and subcontractors offers clients a comprehensive

The aim of this strategic pillar is to optimise and guarantee the efficiency of work processes and erect a barrier against the entry of new competitors.

In this area, there are two fundamental values central to the Company: its human capital and its innovative approach. Técnicas Reunidas' professionals are equipped to manage and implement technical projects of great complexity and diversity, using the most advanced tools to control processes and ensure that safety, quality and budget targets, as well as deadlines are met.

The Company has incorporated innovation into its working DNA, enabling it to extend its activities into other sectors and penetrate new market segments, develop proprietary technologies in the fertiliser and hydrometallurgy industries and implement new tools for management, design, calculation and control, adapting them to the specific needs of its projects.

presence and facilitates the acquisition of new clients, reducing the concentration of risks.

Geographical and sectoral **diversification** allows not only a more balanced distribution of the project portfolio, but also provides an offset against changes in investment cycles.

Finally, product diversification enables Técnicas Reunidas to focus on different types of projects according to the specific situation. Thanks to its endeavours in innovation, the Company has successfully entered into new market segments, with projects relating to conceptual studies, basic engineering, FEED, Front End, PMC, EPC and LSTK.

guarantee of their plants' correct functioning, in accordance with contractual requirements.

To reinforce its commitment to quality, the Company has a quality management system in place which is audited externally and fully adapted to the ISO 9001:2015 standard. The Company has also developed more than 1,300 procedures that help to maintain high standards of quality across all its activities.

At the same time, client satisfaction drives the dynamics behind invitations to participate in new investments and different projects, as well as repeat business.

Employees also play a key role in the Company's performance in the area of quality. Técnicas Reunidas has an excellent team of professionals, enabling the Company to overcome the challenges it faces and achieve its goals in a responsible, sustainable way which adheres to the quality standards demanded by the market.

5

RESPONSIBLE
MANAGEMENT



5.1 GOVERNANCE MODEL

Técnicas Reunidas has a governance model with a commitment to sustainable compliance, involving ongoing review and improvement. This model and its supporting values are focused on long-term value generation and aligned with the business model, offering credibility and trust among its stakeholders.



KEY INDICATORS

INDICATOR	2017 data	2015-2017 progress
Independent directors (%)	61.5%	+3.2 pp (percentage points)
Good Governance Code recommendations adopted (%)*	81.48%	*
Business units analysed from the perspective of ethics and integrity (%) ^[205-1]	100%	= (maintained at 100%)
Votes against items on the agenda of the Annual General Meeting (%)**	0.46%	***
Percentage of issues raised through the whistleblowing mechanism that have been resolved	100%	****



2017 MILESTONES

- Average percentage of votes against items at the Annual General Meeting of only 0.46%.
- Updating of the Internal Code of Conduct in Securities Markets and the list of persons subject to its provisions.
- Implementation of actions set out in the 2017 Self-assessment Plan for the Board.
- Establishment of a joint auditing system.
- Implementation of the Training Plan for directors.
- Creation of a Regulatory Compliance Unit, and appointment of the Head of the Unit.
- Cooperation with the OECD on various matters specific to listed companies.
- Implementation of the Management System for Crime Prevention.
- Provision of training at management level on regulatory compliance.
- Approval of the Fiscal Strategy Guidelines and Internal Fiscal Risk Management Procedures.



2018 GOALS

- Updating and approval of the CSR Policy and the Strategic Plan for CSR.
- Analysis of a new Directors' Remuneration Policy, in line with National Securities Market Commission recommendations in this area.
- Analysis of a new Director Selection and Diversity Policy.
- Analysis of a new Communication Policy for Shareholders and Investors.
- Review of the Code of Conduct.
- International deployment of the Company's Compliance System.
- Updating of the Criminal Risk Map and development of the Procedures and Controls Map.

* Percentage of recommendations from the Good Governance Code for Listed Companies issued in 2015 by the National Securities Market Commission with which TR fully or partially complies. Recommendations that do not apply to the Company are excluded from the calculation. In 2017, these data were recalculated following the recommendations of the National Securities Market Commission.

** Discounting votes corresponding to own shares held. This is one of the lowest percentages in the Ibex-35 on particularly contentious items, such as the remuneration of management.

*** The percentage of votes against items on the agenda of the Annual General Meeting have remained below 1% between 2015 and 2017.

**** Data were only available for the period May 2017-December 2017. The mechanism came into operation in 2016.



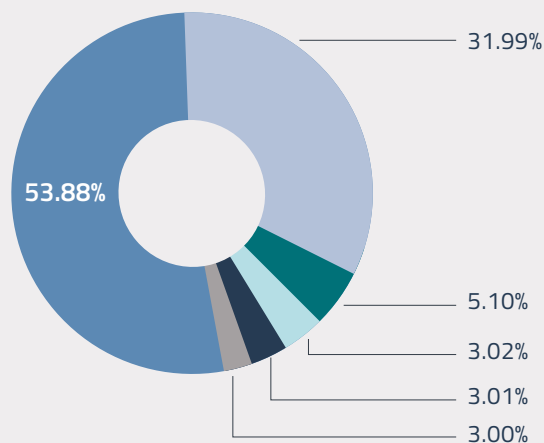
OWNERSHIP STRUCTURE

Técnicas Reunidas' share capital consists of 55,896,000 shares. 53.88% corresponds to minority shareholders. The Board of Directors, meanwhile, holds 37.26 % of the shares, maintaining stability in the capital structure over recent years.

Técnicas Reunidas shares are listed on the Spanish continuous market, forming part of the selective IBEX-35.

Técnicas Reunidas shareholders overwhelmingly supported proposals for resolutions made at the Annual General Meeting of Shareholders. The average percentage of votes against items on the agenda was only 0.46%.

Técnicas Reunidas' capital structure*



- Other shareholders
- Araltec Corporación, S.L.U
- Aragonesas Promoción de Obras y Construcciones, S.L.U
- Norges Bank
- Ariel Investments, LLC
- Franklin Templeton Investment Management Limited

* Structure as of 31 December 2017.

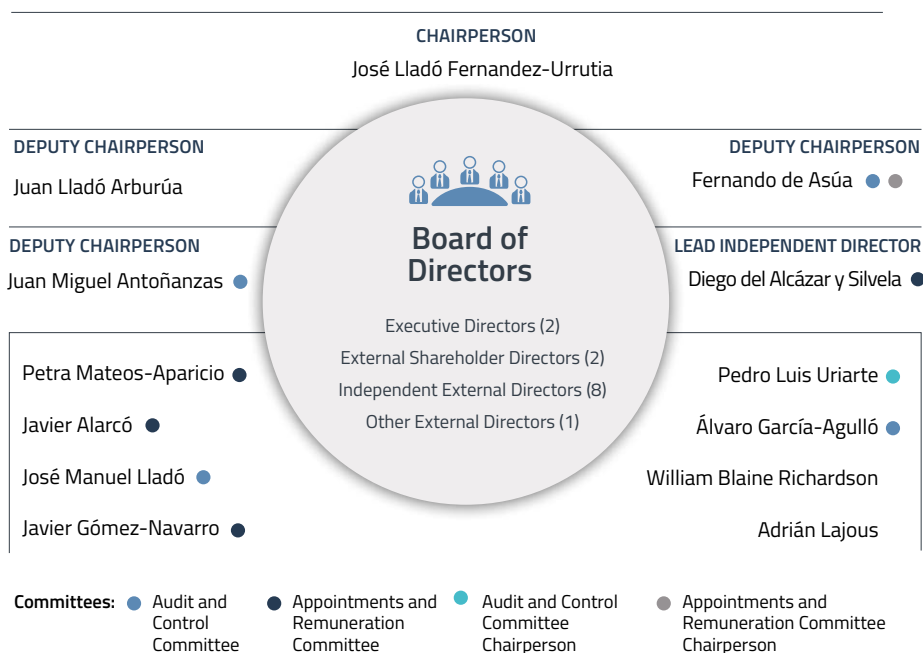
COMPOSITION AND FUNCTIONING OF THE GOVERNING BODIES

[102-17]; [102-18]; [102-22]; [102-23]; [102-24]; [102-26]; [102-28]; [102-29]; [102-30]; [102-33]; [405-1]

GOVERNANCE STRUCTURE

The governance of the Company is managed by means of the Annual General Meeting of Shareholders, the Board of Directors and its two delegated committees (the Audit and Control Committee and the Appointments and Remuneration Committee). The Board and its committees all include a majority of independent directors. The chairpersons of both committees are also independent.

Composition of the Board of Directors of Técnicas Reunidas



Note: In 2017, Javier Alarcó entered the Appointments and Remuneration Committee and José Manuel Lladó entered the Audit and Control Committee.

BOARD MEMBERS	POSITION	STATUS	FIRST APPOINTMENT	LAST APPOINTMENT
José Lladó Fernández-Urrutia	Chairperson	Executive	10/05/2006	29/06/2016
Juan Lladó Arburúa	Deputy Chairperson	Executive	10/05/2006	29/06/2016
Juan Miguel Antoñanzas Pérez-Egea	Deputy Chairperson	Independent	10/05/2006	29/06/2016
Fernando De Asúa Álvarez	Deputy Chairperson	Independent	10/05/2006	29/06/2016
Petra Mateos-Aparicio	Director	Independent	29/06/2016	29/06/2016
Álvaro García-Agulló Lladó	Director	Shareholder director	10/05/2006	29/06/2016
José Manuel Lladó Arburúa	Director	Shareholder director	10/05/2006	29/06/2016
Javier Gómez-Navarro Navarrete	Director	Independent	10/05/2006	29/06/2016
Javier Alarcó Canosa	Director	Independent	22/06/2007	26/06/2017
Diego Del Alcázar y Silvela	Director	Independent	25/03/2010	29/06/2016
Pedro Luis Uriarte Santamarina	Director	Independent	22/06/2011	29/06/2016
William Blaine Richardson	Director	External - Other	22/06/2011	29/06/2016
Adrián Lajous Vargas	Director	Independent	29/06/2016	29/06/2016



Note: More information on the profile of each Board member is available at www.tecnicasreunidas.es.

Board Self-assessment

Técnicas Reunidas' Board of Directors is subject to an annual self-assessment of its performance. Based on the results of this self-assessment, an Action Plan is drawn up to help the Company improve its performance in areas such as good governance and regulatory compliance.

In 2017, as a result of the Action Plan, various actions were implemented, including those related to the specific Training Plan for Directors (with presentations from senior managers from 10 different areas of the Company), increase of items reviewed and those promoting active debate in sessions of the corporate governing bodies. It is worth underlining that most of the actions in the Action Plan proposed for 2017 were successfully carried out.

Main Topics addressed by the Board and its Delegated Committees

The Board of Directors and its delegated committees held a total of 23 meetings in 2017 (8 meetings of the Board, 10 meetings of the Audit and Control Committee and 5 meetings of the Appointments and Remuneration Committee), all with 100% attendance.

THE MAIN TOPICS ADDRESSED BY THE BOARD AND ITS COMMITTEES OVER THE COURSE OF 2017 WERE AS FOLLOWS:

- Drawing up of the Annual Financial Statements and the Annual Corporate Governance Report.
- Adaptation of corporate documentation to the changes in the Spanish Companies Act.
- Follow-up actions on the tax inspections to which the Company is subject.
- Analysis of potential risks for Técnicas Reunidas (strategic, emerging, operational, financial, legal and fiscal).
- Extension of reporting requirements, especially with regard to non-financial information.
- External auditor independence.
- Self-assessment report on the Board of Directors.
- Evaluation of the composition of the Board's delegated committees.
- Analysis of the Technical Guide 3/2017 of the Spanish Stock Market Commission and assessment of its implementation in the Company.

Delegated Committees

The delegated committees are of key importance to the Company due to their increasing involvement and allocation of powers, which have been reinforced over recent years.

COMMITTEE CHAIRPERSON

Pedro Luis Uriarte ●

Fernando de Asúa ●

Juan Miguel Antoñanzas ●

Álvaro García-Agulló ●

José Manuel Lladó ●



Audit and Control Committee

- Independent External Directors (3)
- External Shareholder Directors (2)

Functions

- Reviewing the effectiveness of the internal control systems and management of financial risks.
- Analysis of the Technical Guide 3/2017 of the Spanish Stock Market Commission and assessment of its implementation in the Company.
- Implementing the Management System for Crime Prevention, encompassing all the Company's international activities (currently in development).
- Establishing a joint auditing system.
- Approving the Fiscal Strategy Guidelines and Internal Fiscal Risk Management Procedures.
- Adopting the Approval Policy for non-audit services.
- Approving the Annual Work Programme for the development of the Committee's functions.
- Updating of the Internal Code of Conduct in Securities Markets.



For more information on the Audit and Control Committee's main activities during 2017, see the report available at the following link: <http://www.tecnicasreunidas.es/recursos/doc/ingles/shareholders/corporate-governance/2018/jg18-report-functioning-audit-control-committee-2017.pdf>

COMMITTEE CHAIRPERSON

Fernando de Asúa ●

Petra Mateos-Aparicio ●

Diego del Alcázar ●

Javier Gómez-Navarro ●

Javier Alarcó ●



Functions

- Supervising the necessary remuneration policies for directors and management in order to align the long-term interests of managers and shareholders.
- Assessing the performance of the Board of Directors.
- Monitoring the Training Plan.
- Evaluating the overall composition of the corporate bodies.



For more information on the Appointments and Remuneration Committee's main activities during 2017, see the report available at the following link:
<http://www.tecnicasreunidas.es/recursos/doc/ingles/shareholders/corporate-governance/2018/jg18-report-appointment-remuneration-commission-2017.pdf>

PERFORMANCE AND REMUNERATION MODEL [102-35]; [102-36]

The remuneration model for the Directors consists of one fixed component and assistance allowance and, for the executive Directors, of a variable component as well.

In 2017, the Directors' Remuneration Policy for the three-year period 2016-2018 was still in effect. This policy was approved at the General Meeting of Shareholders in 2016 with 0.099% of votes against, the lowest percentage for IBEX 35 companies in this area. This policy is based on the principles shown below.

Remuneration of the highest governing body and senior executives

GENERAL PRINCIPLES OF THE REMUNERATION MODEL

Remuneration for the skills and responsibility demanded by the role of director, offering incentives for service without compromising independence.

Remuneration for service as a director.

Remuneration adapted to the demands of the market.

REMUNERATION COMPONENTS



FIXED

- Membership of the Board: €55,478.
- Membership of Committees: €15,384.
- Allowance for attending the Board: €3,500.
- Allowance for attending the Audit and Control Committee: €3,500.
- Allowance for attending the Appointments and Remuneration Committee: €5,000.



VARIABLE

Variable remuneration components are applicable to executive directors, based on parameters including:

- Contracting during the period.
- State of the order book.
- Income.
- Profit.
- Shareholders' remuneration during the period.



For more information on the remuneration of the Board and senior executives, see the Annual Corporate Governance Report and the Report on Remuneration for Directors of Public Limited Companies:
<http://www.tecnicasreunidas.es/recursos/noticias/igc-2017-en.pdf>

MANAGEMENT MODEL FOR THE GOVERNANCE OF THE COMPANY

Técnicas Reunidas' governance model is based on internal regulations, including the Articles of Association, the Regulations of the Annual General Meeting, the Regulations of the Board of Directors and the Internal Code of Conduct in Securities Markets (updated in 2017).

This model entails continuous analysis of the legislation applicable to the Company and its activities, with particular reference to its status as a listed company.

Técnicas Reunidas also takes into account recommendations on matters of governance which, although not binding, are widely recognised benchmarks in this area.

To strengthen transparency in its management model, at the 2017 Annual General Meeting of Shareholders, Técnicas Reunidas approved the establishment of a joint auditing system involving both PwC and Deloitte (with 98.68% of votes in favour). The main advantage of this auditing system is the enhanced external supervision of the Company's financial reporting, generating greater confidence among shareholders and investors, and helping to facilitate the transition between auditing firms.

MAIN INTERNAL STANDARDS OF GOOD GOVERNANCE

1. ARTICLES OF ASSOCIATION
2. REGULATIONS OF THE ANNUAL GENERAL MEETING
3. REGULATIONS OF THE BOARD OF DIRECTORS
4. INTERNAL CODE OF CONDUCT IN SECURITIES MARKETS

Técnicas Reunidas has introduced internal control mechanisms for processes involving delegation of powers, as well as financial and banking processes, throughout the Company's organisational levels and business activities.

Adaptation of the management model to external factors

The Company continuously monitors emerging factors with the potential to impact on this management model. This focus on continuous monitoring allows Técnicas Reunidas the flexibility to take measures wherever necessary, as well as to determine future strategies.

In 2017, Técnicas Reunidas updated its [Internal Code of Conduct in Securities Markets](#) (available on the Company's website) with the aim of addressing various aspects, coordinating its content with the amendments made to the applicable legislation and updating the list of persons subject to its provisions. This is part of the Company's ongoing effort to align its corporate documents with the best national and international practices in this area.

External factors impacting on the Company's governance model in 2017

Changes in regulations on accounting and securities markets, requiring increased disclosure of non-financial information.

Strengthening of obligations in securities markets as a result of the amendment of the Internal Code of Conduct.

Técnicas Reunidas adapts its good governance management model in step with regulatory changes and the external factors which could have an impact on it.



INTEGRITY AND COMPLIANCE [102-16]; [102-17]; [103-2]

Besides the internal rules of good governance mentioned above (such as the Regulations of the Board of Directors), the Company has a **Code of Conduct** (updated in 2016 and available on the website) which has continued to be disseminated among all employees throughout 2017.

Over the last year, commitment to the integrity of Técnicas Reunidas' supply chain has been reinforced with the approval of a Code of Conduct specific to suppliers and subcontractors. This Code sets out the ethical, social and environmental requirements established by the Company for its supply chain (for more information, see Chapter 6.6 'Efficient Supply Chain Management').

Another step forward in 2017 to strengthen the management of integrity and compliance was the creation of the Regulatory Compliance Unit. The Unit's functions include the dissemination of the Code of Conduct, the management of the whistleblowing mechanism, and the review and adaptation of the crime prevention systems.

In 2017, Técnicas Reunidas established the Management System for Crime Prevention (based on the Company's Code of Conduct and regulatory framework). This system enables the Company to minimise risks and enhance its capacity in the prevention, detection and response to critical issues in regulatory compliance and integrity. In 2018, Técnicas Reunidas will roll out the international implementation of this system, with the aim of keeping tighter control of regulatory compliance in all the Company's subsidiaries and projects across the world and reducing the associated risks.

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

Finally, with regard to the Code of Conduct, the Company has a whistleblowing mechanism (Code Mailbox) to facilitate the reporting of breaches or other issues related to the Code. This mechanism is available to Técnicas Reunidas' employees, as well as partners, suppliers and subcontractors (buzondelcodigo@trsa.es). In 2017, there were 2 complaints, all on labour issues, and all of them were fully resolved.

The aims in 2018 to improve the functioning of the whistleblowing mechanism include the publication of a specific User Guide and the implementation of a tool that will give access to documented information on all the issues that are handled through it.

PRINCIPLES OF TÉCNICAS REUNIDAS' CODE OF CONDUCT

INTEGRITY

- Respect for legality, human rights and values.
- Use and protection of assets.
- Evidence on expenditure.
- Handling of information and knowledge.
- Respect for free competition in the market.

PROFESSIONALISM

- Quality and innovation.
- Client-orientation.
- Relationships with companies, partners and suppliers.

OTHER PRINCIPLES

- Professional development, non-discrimination and equal opportunities.
- Training.
- Protection of privacy.
- Health and safety at work.
- Rejection of child labour, and forced and compulsory labour.
- Respect for the environment.
- Social commitment.
- Relationships with shareholders.
- Neutrality.
- Prevention of money laundering and financing of terrorism.
- Corporate image and reputation.

Técnicas Reunidas has a number of internal procedures and management tools to reinforce the ethical commitments and responsibilities of the Company and all its employees.

TÉCNICAS REUNIDAS' MANAGEMENT OF CORPORATE SOCIAL RESPONSIBILITY (CSR)

For Técnicas Reunidas, 2017 has been a key year for consolidating the management of CSR at corporate level. Progress made includes the Company's positioning among the leading companies in the fight against climate change in the CDP-Climate Change initiative, the standardisation of the inclusion of CSR in the proposals and projects stages, and the search for synergies between different areas of the Company in order to strengthen this area.

With the aim of further consolidating CSR as a strategic element, Técnicas Reunidas is developing a Global CSR Plan to enable the undertaking of additional initiatives in this area, expected to be approved in 2018.

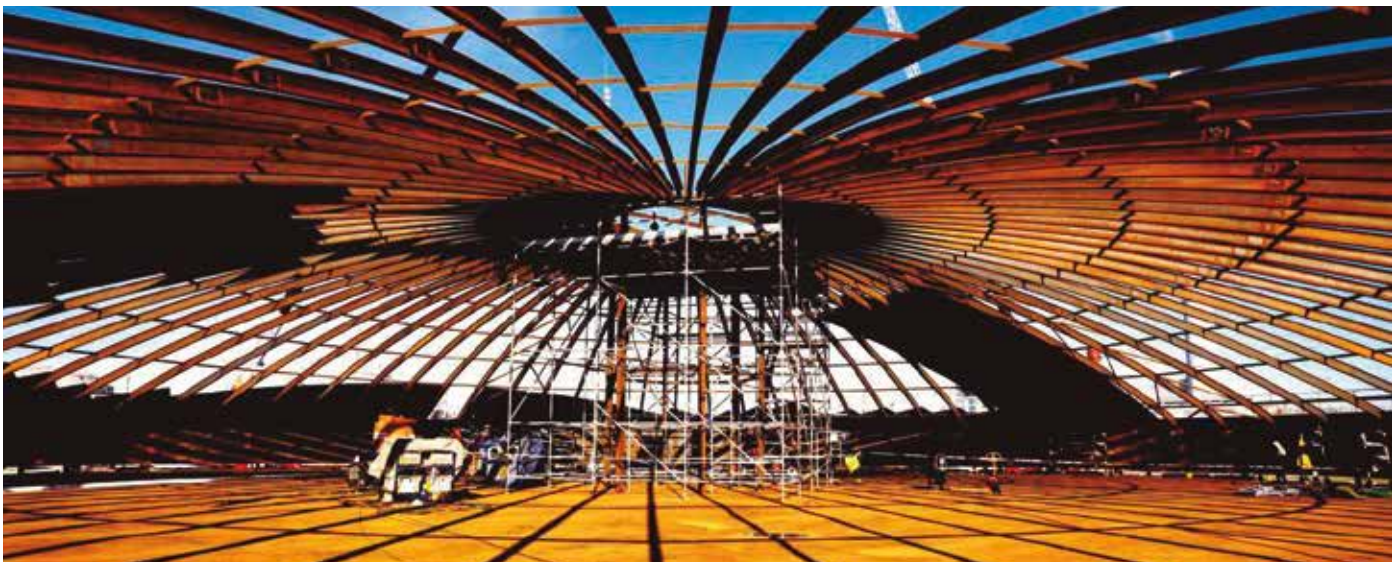
Técnicas Reunidas is currently reviewing and improving its [CSR Policy](#), which outlines its main commitments on matters of corporate, social and environmental governance, with an evaluation of its updating planned for 2018. Within the CSR management framework, the Company also has other specific policies in place, including the [Corporate Policy on Quality, Health, Safety and the Environment](#), updated in 2017.

One of the basic principles of the CSR Policy is transparency. With this aim, Técnicas Reunidas has progressively increased its disclosure of non-financial information each year since 2012, with particular regard to its CSR performance, in accordance with the main international standards.

The Company is currently involved in various internationally recognised CSR initiatives, such as the Global Compact and the CDP-Climate Change index referred to above. Likewise, Técnicas Reunidas has demonstrated its commitment to the United Nations Sustainable Development Goals (SDGs) through the implementation in recent years of various actions which contribute to their achievement.

As of 2013, the Company has also published CSR reports, which include an increasing amount of information made available to stakeholders in each fiscal year. Since their inception, these reports have been drawn up in accordance with the international GRI framework. In 2016, Técnicas Reunidas adapted its report to meet the recommendations of the International Integrated Reporting Framework. It has also undergone independent external audits on CSR indicators in accordance with ISAE 3000 (revised) since 2016.

Técnicas Reunidas has drawn up this year's integrated report in accordance with the IIRC framework as well as the new GRI Standards.



TÉCNICAS REUNIDAS' CONTRIBUTION TO THE SUSTAINABLE DEVELOPMENT GOALS







The Sustainable Development Goals (SDGs) define global sustainable development priorities and aspirations for 2030 and seek to mobilise global efforts around a common set of goals and targets. The SDGs call for worldwide action among governments, business and civil society to end poverty and

create a life of dignity and opportunity for all, within the boundaries of the planet.









In 2017, Técnicas Reunidas performed a detailed analysis of the SDGs most relevant to its business activities, as well as the actions under development to support their achievement.

Main SDGs applicable to Técnicas Reunidas and the Company's contribution to their achievement

CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals	How is Técnicas Reunidas contributing to their achievement?	Key messages on Técnicas Reunidas' contribution in 2017
<p>1 NO POVERTY</p>  <p>"END POVERTY IN ALL ITS FORMS EVERYWHERE"</p>	<ul style="list-style-type: none"> Promoting contracting with local subcontractors and suppliers with the aim of creating a positive socio-economic impact in the areas where it operates. Encouraging and training suppliers, subcontractors and local personnel to improve their performance and enhance their competitiveness, contributing to better business opportunities and high-skilled employment in the future. <p> For more information, see Chapter 6.6 'Efficient Supply Chain Management'.</p>	<p>3,088 million euros in purchasing with local suppliers and subcontractors in 2017.</p>
<p>3 GOOD HEALTH AND WELL-BEING</p>  <p>"ENSURE HEALTHY LIVES AND PROMOTE WELL-BEING FOR ALL AT ALL AGES"</p>	<ul style="list-style-type: none"> Helping to minimise occupational accidents and diseases by means of a sound Occupational Health and Safety System which extends to subcontractors and is certified to standard OHSAS 18001. Establishing annual occupational safety targets which are increasingly demanding and ambitious, reaffirming Técnicas Reunidas' commitment in this area. Providing occupational health and safety training for employees and subcontractors and reinforcing the Company's safety culture through awareness campaigns. <p> For more information, see Chapter 6.5 'Occupational Health and Safety'.</p>	<p>31% reduction in the recordable incident rate (TRIR) and 25% reduction in the lost time incident rate (LTIR) between 2016 and 2017.</p>
<p>4 QUALITY EDUCATION</p>  <p>"ENSURE INCLUSIVE AND QUALITY EDUCATION FOR ALL AND PROMOTE LIFELONG LEARNING"</p>	<ul style="list-style-type: none"> Offering training adapted to employees' needs in order to help them maximise their skills and boost their professional development. Establishing agreements with universities and research centres to offer internships to students, optimising their employability and aiding their integration into the labour market. Supporting institutions and initiatives which promote education in the field of sustainable development and the efficient use of energy. <p> For more information, see Chapter 6.2 'Employees, the Key Pillar for Growth' and Chapter 6.7 'Relationship with Society and Stakeholders'.</p>	<ul style="list-style-type: none"> 19.5 average hours of training per employee. Collaboration with more than 14 institutions in the field of culture, science, research and education.

CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals	How is Técnicas Reunidas contributing to their achievement?	Key messages on Técnicas Reunidas' contribution in 2017
<p>7 AFFORDABLE AND CLEAN ENERGY</p>  <p>“ENSURE ACCESS TO AFFORDABLE, RELIABLE, SUSTAINABLE AND MODERN ENERGY FOR ALL”</p>	<ul style="list-style-type: none"> • Developing efficient energy infrastructures for our clients which contribute to sustainable energy supplies. • Collaborating in R&D&I projects which help to achieve a more efficient use of energy resources and which promote the development of low-cost environmentally-friendly batteries for use in electric vehicles. • Developing energy efficiency plans. • Increasing the percentage of renewable energy consumption in offices. <p> For more information, see Chapter 6.3 'Innovation'.</p>	<ul style="list-style-type: none"> ▶ Company involvement in 2 projects focused on optimising energy storage (LIFE+ ZAESS project and ESTEFI project). ▶ Aim to reduce energy consumption by 2% in the 2015-2018 period.
<p>8 DECENT WORK AND ECONOMIC GROWTH</p>  <p>“PROMOTE INCLUSIVE AND SUSTAINABLE ECONOMIC GROWTH, EMPLOYMENT AND DECENT WORK FOR ALL”</p>	<ul style="list-style-type: none"> • Offering employment opportunities to engineers and other professionals both in Spain and in other countries where Técnicas Reunidas operates. • Adopting a global approach to the management of human resources in order to align the policies implemented by the Company. • Encouraging the development of local business networks, promoting local purchasing and subcontracting within the framework of projects and training professionals from the local community to enhance their employability. • Providing scholarship programmes including the INICIA programme, aimed at students and recent graduates with no previous professional experience. <p> For more information, see Chapter 6.2 'Employees, the Key Pillar for Growth' and Chapter 6.7 'Relationship with Society and Stakeholders'.</p>	<ul style="list-style-type: none"> ▶ Over 44,500 people, mainly from sub-contractors, worked on the Company's projects. ▶ 80% permanent contracts within the Company. ▶ 61% of trainees hired.
<p>9 INDUSTRY, INNOVATION AND INFRASTRUCTURE</p>  <p>“BUILD RESILIENT INFRASTRUCTURE, PROMOTE SUSTAINABLE INDUSTRIALIZATION AND FOSTER INNOVATION”</p>	<ul style="list-style-type: none"> • Developing technologies and processes that have less environmental impact by means of reduced greenhouse gas emissions, efficient use of resources and optimisation of generated waste. • Using the resources of its own Technology Centre and collaborating with third parties in R&D&I projects related to massive energy storage and the recovery of metals from waste and chemicals from biomass. • Optimising the design of industrial plants by promoting more efficient industrial processes. <p> For more information, see Chapter 6.3 'Innovation'.</p>	<ul style="list-style-type: none"> ▶ Over €10 million assigned to R&D&I. ▶ 150 professionals assigned to R&D&I.
<p>11 SUSTAINABLE CITIES AND COMMUNITIES</p>  <p>“MAKE CITIES AND HUMAN SETTLEMENTS INCLUSIVE, SAFE, RESILIENT AND SUSTAINABLE”</p>	<ul style="list-style-type: none"> • Reducing the environmental impact of waste and improving air quality. • Promoting the preservation of cultural and natural heritage. • Developing technologies to make cities more sustainable (e.g. with innovative energy storage projects). • Promoting effective waste management. • Promoting circular economy activities. <p> For more information, see Chapter 6.3 'Innovation' and Chapter 6.4 'Excellence in Environmental Performance'.</p>	<ul style="list-style-type: none"> ▶ Aim to reduce CO₂ emissions by 12% between 2016 and 2030. ▶ 100% of hazardous waste treated by authorised managers.

CONTRIBUTION TO THE ACHIEVEMENT OF THE SUSTAINABLE DEVELOPMENT GOALS

Sustainable Development Goals	How is Técnicas Reunidas contributing to their achievement?	Key messages on Técnicas Reunidas' contribution in 2017
<p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p>  <p>“ENSURE SUSTAINABLE CONSUMPTION AND PRODUCTION PATTERNS”</p>	<ul style="list-style-type: none"> Integrating circular economy principles into Técnicas Reunidas' environmental management. Promoting the responsible use of natural resources among employees, suppliers and subcontractors. <p> For more information, see Chapter 6.4 'Excellence in Environmental Performance'.</p>	<p>▶ Certified Environmental Management System (ISO 14001:2015) implemented in 100% of business processes.</p>
<p>13 CLIMATE ACTION</p>  <p>“TAKE URGENT ACTION TO COMBAT CLIMATE CHANGE AND ITS IMPACTS”</p>	<ul style="list-style-type: none"> Developing proprietary technologies for reducing the NO₂ and NO_x generated during the manufacture of nitric acid. Optimising the use of energy resources in the Company's activities through actions such as energy audits, preventive maintenance of machinery, and energy-efficient lighting and IT equipment. Delivering transparency in the Company's reporting on its performance with regard to climate change and participating in initiatives such as CDP Climate Change. Promoting the need to combat climate change in all corporate areas. <p> For more information, see Chapter 6.3 'Innovation' and Chapter 6.4 'Excellence in Environmental Performance'.</p>	<ul style="list-style-type: none"> ▶ Over 80% reductions in CO₂ emissions through the production of levulinic acid by means of LIFE+ WALEVA project technology. ▶ A- rating in the CDP, positioning the Company among the leading companies in the fight against climate change.
<p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>  <p>“PROMOTE JUST, PEACEFUL AND INCLUSIVE SOCIETIES”</p>	<ul style="list-style-type: none"> Adhering to a Code of Conduct that reflects the Company's commitment to acting in accordance with the law, human rights and internationally accepted ethical practices throughout its operations. Implementing a Management System for Crime Prevention which strengthens the Company's compliance strategy. Providing a specific whistleblowing mechanism through which anyone can report activities which contravene the Company's ethical and regulatory framework. <p> For more information, see Chapter 5.1 'Governance Model'.</p>	<ul style="list-style-type: none"> ▶ 100% dissemination of the Code of Conduct among employees. ▶ 100% resolution of issues raised through the whistleblowing mechanism in 2017.
<p>17 PARTNERSHIPS FOR THE GOALS</p>  <p>“REVITALIZE THE GLOBAL PARTNERSHIP FOR SUSTAINABLE DEVELOPMENT”</p>	<ul style="list-style-type: none"> Analysing the Company actions which contribute to the achievement of SDG targets. Aligning the Global Plan for CSR (under development) with the SDGs. Including in this table charting the Company's contribution to the SDGs a first set of indicators aligned with each of them. Incorporating, for the second consecutive year, information on how the Company contributes toward the SDGs. Pledging to continue strengthening the monitoring of its contribution to the SDGs in order to define new actions to help achieve them over the coming years. <p> For more information, see Chapter 6.7 'Relationship with Society and Stakeholders'.</p>	<p>▶ Identification of the SDGs toward which Técnicas Reunidas can make the most significant contribution (11 of the 17 SDGs).</p>

5.2 RISK MANAGEMENT [102-15]

Técnicas Reunidas has various tools and procedures which help to identify, prevent, minimise and manage the risks associated with all its areas of activity, ensuring the sustainability and satisfactory performance of the business for all its stakeholders.

The Company's comprehensive methodological framework for managing key risks encompasses all areas and projects, improving the monitoring and control of risks and reducing operational uncertainties.

Using this comprehensive framework, a catalogue of key risks has been compiled, identified in accordance with internationally recognised COSO II methodology.

Técnicas Reunidas has management policies in place for each key risk, including:

- Procedures to mitigate risks related to the nature of the projects - careful selection of projects, policies for diversifying geopolitical risks, policies for maintaining the technical capability necessary to implement projects, policies for sharing project risks with third parties, maintenance of insurance cover and contracting methods which ensure the quality of suppliers.
- Procedures related to the financial management of projects - management of foreign exchange risk, liquidity, tax risks and technical contingencies.
- Management systems for health and safety - policies, procedures and regular system reviews.

Técnicas Reunidas' risk management framework



PRINCIPALES RIESGOS DE OPERACIÓN Y MECANISMOS DE GESTIÓN EN TÉCNICAS REUNIDAS

RIESGO	DESCRIPCIÓN	MECANISMO DE GESTIÓN Y MITIGACIÓN
PROJECT COST VARIATIONS	<p>Various factors can cause changes to costs with respect to project plans:</p> <ul style="list-style-type: none"> Contracting of turnkey projects, with a set price agreed at the outset, while the costs of implementation are subject to variation. Price fluctuations in raw materials. Subcontracting (usually local) companies for civil engineering and electro-mechanical equipment. Increased time between the date of award and the entry into force of international contracts increases the risk of deviation in costs for the Company. <p>Since construction work accounts for a significant proportion of the total cost of plants, there is a risk that deviations may occur. Likewise, becoming aware of these deviations at an advanced stage of the project's implementation allows only a narrow margin for correction.</p>	<ul style="list-style-type: none"> Inclusion in project budgets of a figure for contingencies to cover deviations. Development of contracting methods that mitigate risks (open books) and incorporation of exemption clauses in contracts. Inclusion of indemnity clauses in contracts with suppliers and subcontractors. Sharing risks with the clients in the event that they are willing to accept this. Intensive acquisition, during the first months of implementation, of equipment which is both critical and very sensitive to the price of certain raw materials. Use of derivatives that enable the purchase of certain essential raw materials in instalments. Distribution of the execution of the work between several contractors and contracting of leading companies for construction in the different countries. Signing of consortium agreements with the contractor when the risk is high and the client authorises it.
CRUDE OIL PRICE FLUCTUATIONS	<p>Alongside other factors, the price of crude oil affects the behaviour of the Company's clients, as well as its suppliers, competitors and partners, and has particular impact both on contracting and subsequent negotiations.</p>	<ul style="list-style-type: none"> Predominance in the portfolio of NOCs (National Oil Companies) which, unlike IOCs (Integrated Oil Companies), incorporate other economic factors besides pure profit into their decision-making processes, such as geopolitical and social criteria. Mitigation of negotiation risks through the early detection of issues that may involve amendments to the contract price.
IMPLEMENTATION OF PROJECTS IN MULTIPLE GEOGRAPHICAL AREAS	<p>Projects are implemented in multiple geographical locations, each with a different risk profile to mitigate:</p> <ul style="list-style-type: none"> Geographical areas subject to significant social and political tensions. Locations with restricted access, low level of training of local resources, requirements concerning local content or adverse weather conditions. Countries with limited legal certainty. <p>Additionally, the implementation of projects in different geographical areas makes them more difficult to control.</p>	<ul style="list-style-type: none"> Project selection, based on detailed analysis of the client and country, establishing a local presence before bidding and an exhaustive analysis of interests, margins and risks. Creation of the Safety and International Risks Committee. Inclusion in contracts, whenever possible, of clauses that allow price revisions in the event of amendments to the law. Application of common procedures in the implementation of projects and through the centralisation of the project monitoring teams in the Madrid offices.

Continue

PRINCIPALES RIESGOS DE OPERACIÓN Y MECANISMOS DE GESTIÓN EN TÉCNICAS REUNIDAS		
RIESGO	DESCRIPCIÓN	MECANISMO DE GESTIÓN Y MITIGACIÓN
CONCENTRATION ON A SMALL NUMBER OF CLIENTS	<p>The portfolio may at certain times reflect increased concentration on a small number of clients.</p> <p>The concentration of business in certain countries gives rise to a concentration of local subcontractors, increasing their negotiating capacity.</p>	<ul style="list-style-type: none"> • Concentration only in markets where the Company has sufficient previous experience, as well as projects involving high-level clients. • Diversification policy which allows the Company access to very different markets. • Rolling out of commercial activity with new clients and in markets in which Técnicas Reunidas is not yet active. • Diversification policy with regard to construction subcontractors, using both minor local subcontractors and major international companies.
ENVIRONMENTAL AND SAFETY REQUIREMENTS	<p>Técnicas Reunidas works on projects which have a significant impact on the environment and appreciable risks in terms of health and safety.</p> <p>Their control and minimisation throughout the project lifecycle depends not only on Técnicas Reunidas but also on the good practice of subcontractors and suppliers.</p>	<ul style="list-style-type: none"> • Environmental management and safety systems that ensure compliance with the requirements of each project and monitoring of the results. • Assurance of environmental management right from the engineering phase, thanks to Técnicas Reunidas' technical capacity in designing efficient projects. This assurance extends to its suppliers and subcontractors, by means of audits and training sessions. • Reinforcement of process safety from the design phase, with the aim of providing clients with facilities that are safer during the operational phase. • Promotion of occupational safety among suppliers and subcontractors to reduce the risks which arise during projects.
ECONOMIC VARIABLES	<p>Some variables - such as exchange rates, interest rates, the tax regime and the willingness of financial and insurance institutions to participate in projects - have a significant impact on the Company's activity and revenues.</p>	<ul style="list-style-type: none"> • Continuous monitoring of currency-related risks and contracting of exchange rate insurance as considered necessary to mitigate risk. • Advice from financial experts who are involved in the establishment of the taxation criteria affecting the different companies in the group. • Management of a sound balance sheet and adequate lines of funding to ensure sufficient solvency to implement projects. • Mitigation of the risk of clients' lack of liquidity by means of active participation in the process of obtaining financing, through banks that frequently support operations involving Técnicas Reunidas, as well as through the use of export credit insurance mechanisms.
INFORMATION TECHNOLOGY	<p>A failure in the information technology systems has the potential to negatively impact on the running of Técnicas Reunidas' business:</p> <ul style="list-style-type: none"> • Intrusion attempts on the Company's systems by cybercriminals. • Increasing significance of this risk as the Company intensifies its process of digitalisation. 	<ul style="list-style-type: none"> • Information security management system certified according to ISO 27001:2015. • Specific training given to more than 4,000 employees over the past 3 years. • Implementation of an Information Security Committee to analyse the development of the strategic plan on cybersecurity, the results of audits and the main risks.

Continue

PRINCIPALES RIESGOS DE OPERACIÓN Y MECANISMOS DE GESTIÓN EN TÉCNICAS REUNIDAS		
RIESGO	DESCRIPCIÓN	MECANISMO DE GESTIÓN Y MITIGACIÓN
RETENTION OF KEY PERSONNEL AND ADAPTATION OF RESOURCES TO WORKLOAD	<p>The loss of key personnel at Técnicas Reunidas, as well as insufficient training of its personnel, could reduce the Company's capacity to successfully implement projects.</p> <p>Engineering workloads vary according to the phase of implementation of projects, with the result that either concentrations or delays in the awarding of contracts can cause mismatches in the workload.</p>	<ul style="list-style-type: none"> • Procedures for assessing employees' skills, in order to identify the key personnel who should be retained. • Implementation of monitoring policies for these employees, alongside remuneration and career plans that encourage them to stay with the Company. • Implementation of a flexible human resources structure, as well as maintenance of engineering centres outside Spain that allow rapid increases in personnel. • Globalised management of human resources with the aim of standardising the criteria applied within the Company's different subsidiaries across the world.
ETHICS AND REPUTATION	<p>Any unethical or irresponsible behaviour by employees or by third-parties working in partnership with the Company (suppliers and subcontractors) could adversely affect Técnicas Reunidas' reputation and results.</p> <p>This includes breaches related to areas such as human rights violations, environmental impact, discrimination, forced labour, corruption and bribery.</p>	<ul style="list-style-type: none"> • Internal regulations to ensure the ethical behaviour of workers. • Implementation of the Code of Conduct, which sets out the model values for Company behaviour. • Dissemination and understanding of anti-corruption policies. • Drawing up of an annex to the Code of Conduct for the supply chain, laying down guidelines for employees involved in purchasing procedures. • Need for suppliers and subcontractors to fulfil requirements on environmental issues, human rights and health and safety. Compliance with these requirements monitored by Company inspectors during their project inspections.



6

RESOURCES AND RELATIONSHIPS



6.1 CONTROL AND MANAGEMENT OF FINANCIAL CAPITAL

Técnicas Reunidas achieved a 21% increase in its revenues in 2017, exceeding 5,000 million euros in a complex market environment to which the Company is successfully adapting.



KEY INDICATORS

INDICATOR	2017 DATA	2015-2017 PROGRESS
Portfolio (million €)	9,870	-18.6%
Awards (million €)	4,624	-30.6%
Revenue (sales) (million €)	5,068	+21.0%
EBIT (million €)	100	+16.3%
EBIT/sales (%)	2%	=
Structural costs (million €)	101	+24.6%
Results after tax (million €)	64	+6.3%
Net cash position (debt/cash)	231	-56.6%
Work in progress (million €)	1,922	+15.9%
Guarantees (million €)	4,209	-1.45%



2017 MILESTONES

- Updating on November 2017 economic forecasts for 2017 and 2018.
- Containment of the share price after the relevant information posted in the third quarter, thanks to an active communication policy.
- Development of a medium-term financing structure through syndicated loans that protect the Company from future restrictions on working capital.
- Progressive implementation of taxation based on the BEPS model and design of Guidelines for Fiscal Risk Management Policies.



2018 GOALS

- Maintenance of a financing structure adapted to the changing needs of the sector.
- Adaptation by the Company to changes in the tax structure in Saudi Arabia.
- Completion of the AEAT (Spanish Tax Administration Agency) inspection corresponding to fiscal years 2012-2014.
- Progressive implementation of taxation based on the BEPS model and design of a Fiscal Risk Management Policy Manual.

MANAGEMENT APPROACH ^[103-2]

Técnicas Reunidas has a specialised division for financial management, whose operation is structured as a matrix with two intersecting axes: one for technical areas and the other for the main countries in which it operates.

Alongside its internal functions, the Finance Division provides support to the Company's clients in obtaining financing (as described in the case outlined in the box below).

Matrix-based organisation of Técnicas Reunidas' financial management

		TECHNICAL AREAS				
		PROJECT ADMINISTRATION	TAXATION	ACCOUNTING	TREASURY AND FINANCING	ECONOMIC PLANNING
Countries	Spain	↓	↓	↓	↓	↓
	Saudi Arabia, Kuwait and Oman	↓	↓	↓	↓	↓
	Chile and Bolivia	↓	↓	↓	↓	↓
	Bangladesh, India and Malaysia	↓	↓	↓	↓	↓
	Poland and England	↓	↓	↓	↓	↓
	Turkey, Algeria, and Egypt	↓	↓	↓	↓	↓



TÉCNICAS REUNIDAS PROVIDES SUPPORT FOR CLIENTS SEEKING FINANCING FOR THEIR PROJECTS

Técnicas Reunidas' clients generally use multiple sources of funding to carry out their projects. One of the most important, due to its lower cost, is bank financing covered by credit insurance provided by export credit agencies (ECAs).

The Company's long-standing relationship with these entities, combined with its financial solvency, provides added value to clients accessing this type of funding. Since Técnicas Reunidas' financial capacities enable the design of attractive project models, adapted to the requirements set out by the ECAs, this facilitates support for projects.

One example of this support is that offered in 2017 for the Duqm project in Oman, the largest project awarded by the Company over the past year and one requiring commitment from various ECAs, including CESCE (the Spanish Export Credit Insurance Company) for its implementation.

MARKET ENVIRONMENT

The market environment in which Técnicas Reunidas operates has been affected by various external factors during the past year. These have made it necessary for the Company to adapt its financial management, as shown below.

Market environment: external factors that have impacted on Técnicas Reunidas



OIL PRICES

- A sustained increase in the price of oil has failed to give rise to either a relaxation of discipline in clients' management of liquid assets or modifications in their decision-making processes.
- Consequently, the Company has redefined its balance sheet structure, increased lines of financing and intensified discipline in the management of billing and payments.



INCREASED FISCAL PRESSURE

- The Company filed claims with the TEAC (Central Economic Administrative Court) with regard to Spanish Tax Inspection records corresponding to Corporate Income Tax for the period 2007-2011.
- In parallel, the Tax Inspection office has opened the tax review corresponding to fiscal years 2012-2014.



€/€ EXCHANGE RATE

- The depreciation of emerging countries' currencies and the weakening of the dollar against the euro impact heavily on the results of companies, such as Técnicas Reunidas, with almost all their business outside of Spain.
- To mitigate this risk, the Company is pursuing a policy of risk monitoring and coverage by means of derivatives.



NEW CONTRACTING MODELS

- Developments in contracting models over recent years have meant that projects are increasingly billed by milestones rather than progress payments. This has led to extended collection periods, complicating the financial position of the Company, which must continue to meet its obligations to its suppliers, employees and others.
- To mitigate this effect, Técnicas Reunidas has maintained its policy of managing a solid balance sheet and adequate lines of financing to ensure the solvency necessary for implementing its projects.



DIRECT NEGOTIATION OF DIFFERENCES WITH THIRD-PARTIES

- The Company has detected an increasing tendency by certain clients and suppliers to give less weight to direct negotiation in resolving their differences with Técnicas Reunidas.
- This circumstance means that the Company has to estimate the expected outcome of these differences, based mainly on the criterion of its legal advisors.



IMPORTANCE OF ENSURING A SOLID FINANCIAL STRUCTURE

- Técnicas Reunidas has overhauled its financing structure with the aim of simplifying it and obtaining longer terms.
- Because of this, it has agreed two syndicated loans, the first for 350 million euros, which matures in 2019, and the second for 300 million euros, which matures in 2020 and 2021.
- While financing by means of syndicated lines of credit has enabled the Company to achieve better financing terms at competitive prices, it requires compliance with determined balance sheet ratios and results.

OPERATING INCOME FOR 2017

Técnicas Reunidas' portfolio at the end of December 2017 amounted to 9,870 million euros (compared to 10,582 million euros in 2016). Both figures were affected by the sharp depreciation in value of the dollar against the euro (-14%). Drawing the same comparison in dollars, the Company's portfolio grew by 6% in 2017, from 11,100 to 11,800 million dollars.

At the same time, revenues amounted to 5,068 million euros, representing an increase of 6% compared to 2016, as the main projects which were already under way were in the procurement and construction phase.

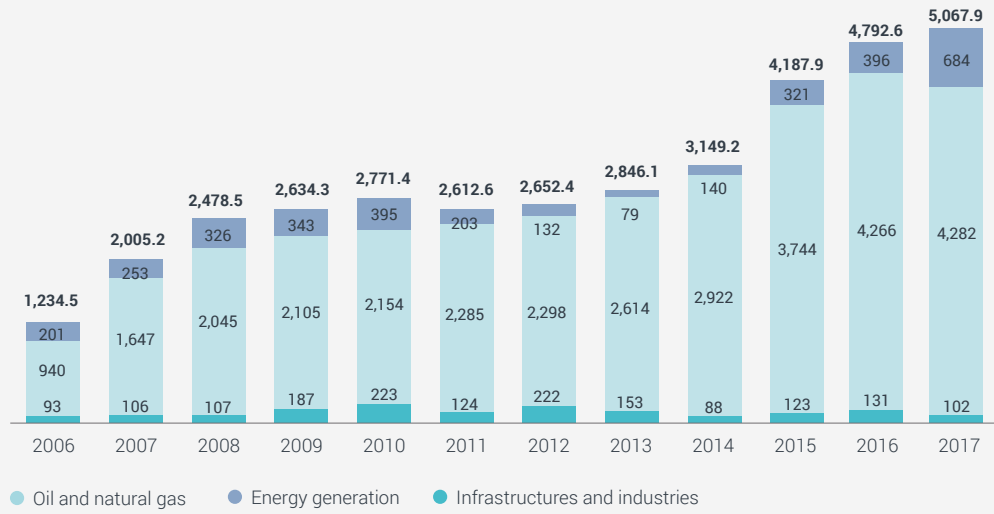
The net cash position stood at 231 million euros, marked by increased investment in working capital in major projects in the Middle East and the absence of significant prepayments during the year.

The net operating profit (EBIT) amounted to 100 million euros, accompanied by an operating margin of 2.0% (in line with that previously announced by the Company). Operating margins have been adversely affected by one-off factors such as increased costs through inactivity because of delays in large-scale projects (no projects from the oil and gas division were started in 2017) and cost overruns for specific projects in their final stages of construction, delivery and commissioning.

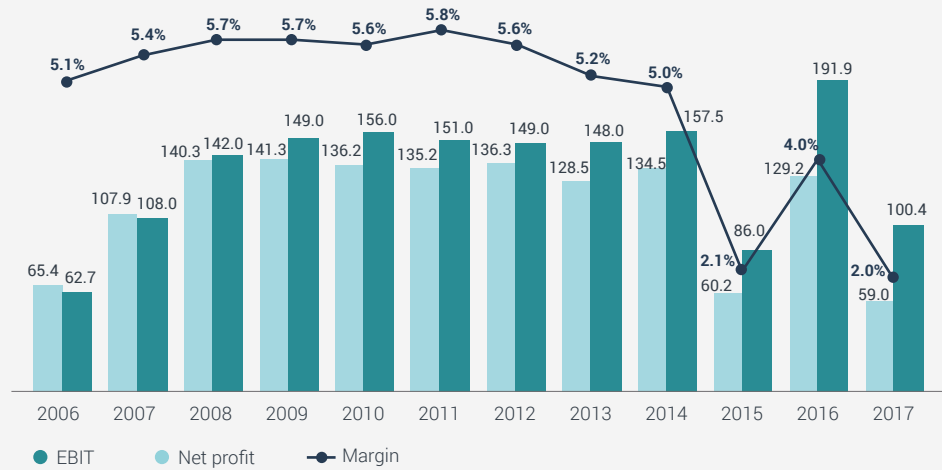
With a view to 2018, forecasts suggest sales of between 4,300 and 4,600 million euros and an EBIT margin of between 1.5 and 2.5%, with a gradual recovery over the year.

Técnicas Reunidas' growth over recent years is the result of the Company's vision of building a client-oriented business platform diversified by products and geographical areas. Client satisfaction enables Técnicas Reunidas to rely on repeat business at the same time as it expands its client portfolio in target markets.

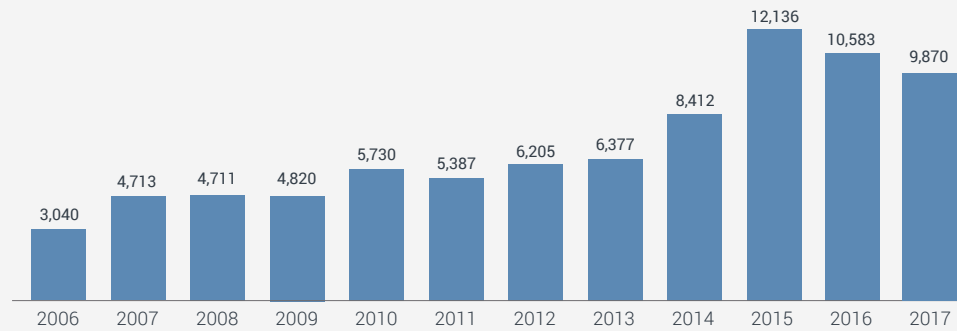
Sales: breakdown by division (million €)



Changes in EBIT, net profit (million €) and margin (%)



Changes in the portfolio (million €)



VALUE CREATION BY TÉCNICAS REUNIDAS IN SPAIN [201-1]

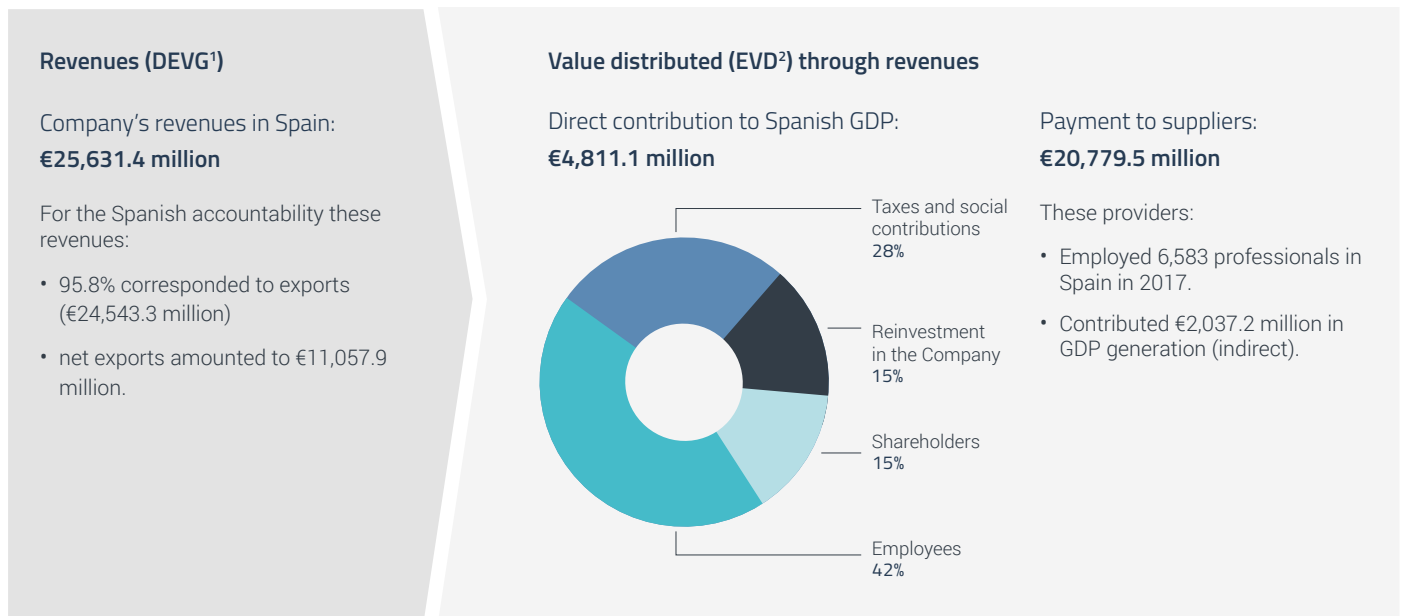
Técnicas Reunidas' activities contribute to the creation of wealth not only for its shareholders. Part of the revenues generated by the Company are distributed, creating value for third parties.

The Company's revenues within Spain during the 2008-2017 period amounted to €25,631.4 million, of which 95.8% (€24,543.3 million), in terms of Spanish accountability, corresponded to total exports and €11,057.9 million to net exports.

These revenues were used mainly in the procurement of goods and services from suppliers (€20,779.5 million) and other items that have directly contributed to Spanish GDP, equivalent to €4,811.1 million.

Notable items include the value created by Técnicas Reunidas in the form of taxes and social contributions (€1,354.6 million), employees' remuneration (€1,998.3 million), payments to shareholders (€722.5 million) and reinvestment in the Company (€735.6 million).

Value creation by Técnicas Reunidas in Spain (2008-2017)



Methodological note:

Data obtained from a supervised internal report drawn up by an independent expert on four companies from the Técnicas Reunidas Group (Técnicas Reunidas, S.A.; Técnicas Reunidas Internacional, S.A; Initec Plantas Industriales, S.A.U.; Initec Infraestructuras, S.A.U.).

The financial results for the Técnicas Reunidas Group are not included in this analysis. The economic impact is estimated on the basis of the operating income.

Direct contribution to Spanish GDP has been calculated as follows:

- 'Taxes and social contributions' includes income tax withholdings, social security contributions and corporate income tax.
- 'Employees' includes payment of salaries to employees minus income tax withholdings and social security contributions.
- 'Reinvestment in the Company' includes coverage of the financial results and reserves.

¹ DEVG: Direct economic value generated

² EVD: Economic value distributed

Economic value retained (EVR) = (DEVG-EVD) = €40.8 million

In addition to its contribution to the creation of economic value for various stakeholders, Técnicas Reunidas has a positive impact in other areas relevant to society, such as employment and stimulus for R&D&I.

The Company's activity in 2017 gave rise to 11,403 jobs in Spain, of which 4,820 were direct employment and 6,583 were generated by the knock-on effect in other sectors associated with payments to suppliers.

The Company also contributes to boosting R&D&I in Spain. Técnicas Reunidas' activities require it to be at the forefront of technology, which is why it has endeavoured to make significant investment in this area, much higher than for other business activities in the Spanish economy. The Company allocated more than €103 million to R&D&I between 2008 and 2017.

CONTRIBUTION TO THE EXTERNAL SECTOR AND THE DEVELOPMENT OF 'BRAND SPAIN'

Técnicas Reunidas is focused on activity abroad, making a decisive contribution to the upturn in the Spanish economy's external sector over recent years. In the 2008-2017 period, the Company's turnover abroad amounted to €24,453 million, representing 95.8% of revenues.

The quality of the Company's project implementation and the satisfaction of its clients in different parts of the world have also made an important contribution to the strengthening of Brand Spain.



STOCK PERFORMANCE

The Company's shares suffered a depreciation of 30% during fiscal year 2017. Although the widespread economic recovery pushed the IBEX 35 to an annual improvement of 7%, the specific - and less favourable - situation in the petroleum engineering sector meant that all the companies in the sector saw their stock market value significantly reduced.

While the Company was not immune to this effect, after the initial falls, the positive reaction from the market following the reporting of the adjustment of margins in November shows investors' confidence in Técnicas Reunidas' management model and business.

With regard to the remuneration of shareholders, the Board of Directors of the Company proposed to the General Shareholders' Meeting the payment of dividends in the amount of 75 million euros, which were divided into an interim dividend paid in January 2017 and a complementary dividend paid in July 2017.



Stock performance of Técnicas Reunidas and its main competitors during 2017



Note: *The value 100 corresponds to the listing of each of the indices at 04/01/2016.

INVESTOR RELATIONS

The Company manages its relationship with its shareholders through the Investor Relations Department. The department's activities are directed through its participation in oil sector seminars, roadshows targeted at locations with a high volume of investors and other actions including multisectoral seminars, meetings at Técnicas Reunidas' offices in Madrid and visits to plants.

The main topics of interest for investors at these meetings were as follows:

- Gaining further information about the causes underlying the deviations in results related to the Canadian project in 2015.
- Understanding energy market trends over the medium and long term.
- Identifying Técnicas Reunidas' growth opportunities and assessing the Company's capacity to absorb this growth.
- Gaining a better understanding of the competitive environment, focusing on the differences and similarities between the Company and its competitors.

During fiscal year 2017, the Company has participated in 15 conferences, organised 8 roadshows and received multiple visits from investors. The total number of investors with whom some kind of activity has been carried out in 2017 amounts to 473.

Técnicas Reunidas receives regular recognition from the publication *Institutional Investors* for its work on communication activities, both by the management team and the Investor Relations Department.

AN ACTIVE COMMUNICATION POLICY WITH INVESTORS

Through the quarterly webcasts from the 1st Deputy Chairman, Técnicas Reunidas reports on its results and its vision for the future.

Alongside these webcasts, roadshows are organised in cities with a high concentration of investors (London and Madrid), which involve the participation of Company directors.



6.2 EMPLOYEES, THE KEY PILLAR FOR GROWTH

The Company's professionals are its most important asset. The workforce comprises more than 8,600 employees, a significant challenge in terms of management but one for which Técnicas Reunidas has the right tools and strategies. This means that the Company can effectively manage its relationship with its professionals and promote their development, improving both its competitiveness and future prospects.



KEY INDICATORS

INDICATOR	2017 DATA	2015-2017 PROGRESS
Company personnel (number)*	8,644	-6.2%
Female personnel (%)*	35.0%	+1.0 p.p.
Permanent workers (%)*	80.0%	+10.1 p.p.
Voluntary employee turnover (%)	3.2%	+0.1 p.p.
Expatriate personnel (%)**	38.2%	+12.1 p.p.
Training (hours)***	93,038	-38.0%
Persons trained (number)	2,784	-5.3%
Training (hours per employee)	19.47	-29.9%
Performance evaluations (number of employees)**** [404-3]	5,349	+27.8%



2017 MILESTONES

- Completion of implementation of the SAP SuccessFactors module at all Company subsidiaries.
- Consolidation of the process for identifying key information in the *SAP SuccessFactors* tool and its integration into the Human Resources Management Strategy.
- Increase in the number of Company employees who have received performance appraisals.
- Implementation of 'Employee Central' (employee web portal), an internal web page with relevant information in the area of human resources, accessible to all Company employees.****



2018 GOALS

- In-depth analysis of the information included in SAP *SuccessFactors*, in order to strengthen the management of human resources within the Company.
- Adapt the resources of the Company in the field of human resources to the variations of workloads in the projects throughout the year.

* The data for Company personnel refers to the Company's total workforce. The data for female personnel and permanent workers refers to the workforce hired in Spain including Heymo (4,848 employees in 2017), while the rest of the indicators in the table refer to the workforce hired in Spain excluding Heymo (4,778 employees in 2017).

** Expatriate personnel: in previous years, information was provided on 'personnel on projects outside Spain', rather than expatriate personnel. In line with the data for previous years, the number of employees working on projects is provided. This data is calculated on the Company's total workforce of 8,644 employees.

*** Hours of training do not include on-site training in occupational health and safety.

**** Milestone achieved in early 2018.

***** The data refers to the total performance evaluations of the workforce hired in Spain and subsidiaries. The data relative only to workforce hired in Spain is of 3,885, data on which is performed the breakdown of the data according to the GRI international standard.

MANAGEMENT APPROACH [102-8]; [103-2]

Técnicas Reunidas has succeeded in consolidating the globalised management of its human resources, providing critical support for its diversification strategy, at the level of both services and geographical areas (for more information, see Section 4.2 of this report).

This globalised management enables Técnicas Reunidas to implement more comprehensive control of all sections related to human resources, increasing the reliability of information, offering a series of basic conditions to all employees, and optimising time and cost in their management.

Milestones that have helped consolidate this globalised management include the completion in 2017 of the implementation of *SAP SuccessFactors* software in all Company subsidiaries throughout the world. This software facilitates more globalised decision-making in the field of human resources, establishing synergies between Técnicas Reunidas' subsidiaries and the Business Divisions with the resultant optimisation of all processes.

Alongside this global management approach, Técnicas Reunidas maintains an operational approach that enables it to adapt its policies and procedures, depending on the project, to the needs of business and clients. Its cornerstone consists of the integration of all areas of management within a single system. This enables joined-up work and the pursuit of common goals.

Técnicas Reunidas also has a Business Partner for Human Resources within each area of business, acting as a representative of the Corporate area. International projects also have specific professionals assigned to the management of human resources, ensuring the standardisation of all the Company's processes in this area.

Técnicas Reunidas' HR management framework



CORPORATE CULTURE

Técnicas Reunidas promotes the four values central to its corporate culture (**commitment, teamwork, determination and development**) among its employees. These form the basis for

its human resources strategy and help the Company reach its goals.

Values in Técnicas Reunidas' corporate culture

COMMITMENT

Commitment from a company with over 50 years' history, positioned among the three leading oil and gas engineering and construction companies in Europe and among the top ten in the world.

Employees show **determination** when facing challenges (design technology, logistics, etc.), enabling the Company to push forward and succeed.

DETERMINATION

TEAMWORK

Técnicas Reunidas employees are part of a large **team** in which their voices are heard, boosting the creation of bonds of trust and providing both personal and professional support.

Ongoing opportunities for **development**, through the ability to work on large-scale projects, contributing ideas, working autonomously and being part of cutting-edge international projects.

DEVELOPMENT



A DIVERSE AND INTERNATIONAL TEAM ^[405-1]

Técnicas Reunidas employee profile*



- ✓ 41 years of age.
- ✓ An average of 9 years at Técnicas Reunidas.
- ✓ 80% with permanent contracts.
- ✓ 100% covered by the collective agreement.
- ✓ 65% men and 35% women.

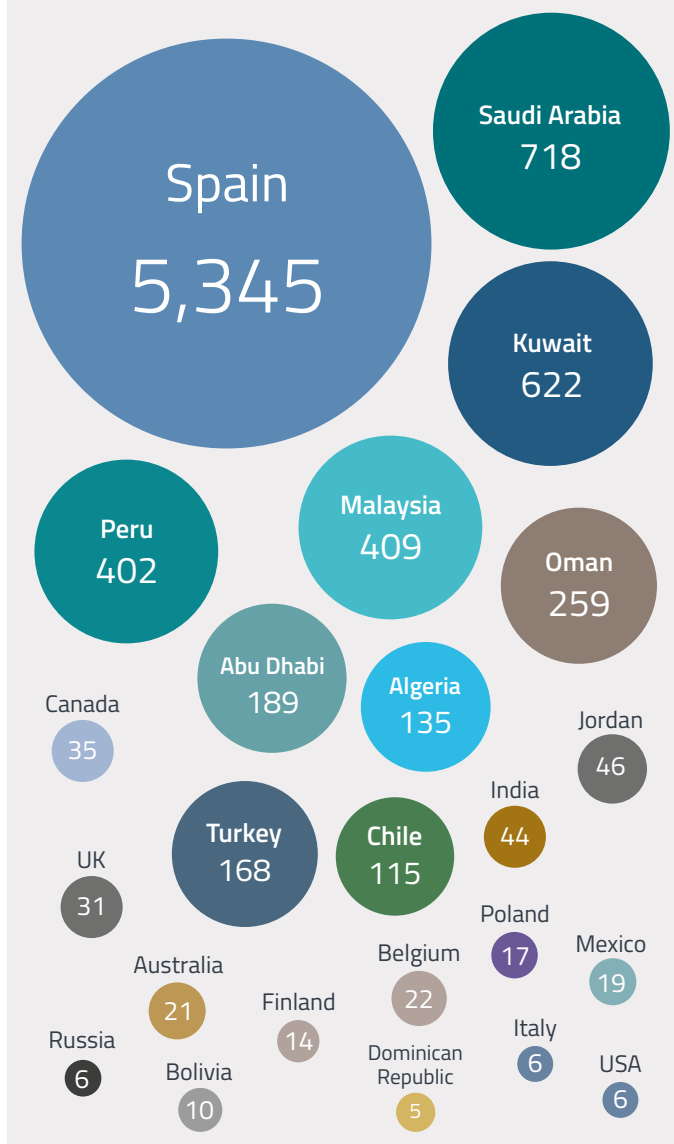
* Data corresponding to workforce hired in Spain as of 31 December 2017.

At the end of 2017, Técnicas Reunidas' workforce amounted to 8,644 employees of 70 nationalities.

An important group within this workforce comprises the expatriates working on projects, who represent 38.2% of Técnicas Reunidas' total employees. Ensuring their commitment and maintaining their sense of belonging is a critical aspect for the Company.

It is of key importance to Técnicas Reunidas that, regardless of the location of its employees, they all enjoy the same conditions and, to the extent possible, the same levels of labour welfare. As mentioned above, the SAP SuccessFactors tool and the Company's firm commitment to its employees are helping to ensure that all employees have the same resources available to them - a complex endeavour for a company with employees in more than 20 countries (see workforce distribution by country). Actions carried out in this area over recent years include the Company's endorsement of E-Learning, enabling a more flexible approach to learning and professional development.

Workforce distribution by country



Workforce distribution by category and gender*

	2017	
	MEN	WOMEN
Executive directors and senior management	0.25%	0.04%
Executives and middle management	4.06%	0.92%
Graduates, specialists and administrative personnel	59.54%	33.68%
Official	0.61%	0.02%
Commercial	0.57%	0.31%

* Data corresponding to workforce hired in Spain as of 31 December 2017 (excluding Heymo).

DIVERSITY AND EQUAL OPPORTUNITIES

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

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

The Company also has an Equality Committee, which meets on a quarterly basis to analyse the current situation and potential conflicts, adopting appropriate measures as necessary.

TALENT MANAGEMENT AND RETENTION

Técnicas Reunidas focuses on two key areas to ensure the creation of a working environment that promotes employees' growth and their commitment to the Company. These comprise advanced management of personal welfare and development, and knowledge management.

PROFESSIONAL DEVELOPMENT AND PERSONAL WELFARE

Técnicas Reunidas has a skills audit programme that allows professionals with team management responsibilities to monitor competences set out by the Company. The Company provides these professionals with the training and specific skills to further the development of employees for whom they are responsible.

These skills audits are conducted jointly by the managers and the team, analysing overall performance and the development of both general and technical/functional competences.

5,349 employees received performance appraisals in 2017.

With regard to talent retention, the Company strives to offer its employees a working environment that meets their expectations. Técnicas Reunidas provides training to aid their professional growth and undertakes to inform them of developments in the area of human resources through activities including the publication of a quarterly newsletter.

In addition, when circumstances permit, the Company encourages internal mobility as a means of retaining talent and enhancing employees' professional development, reinforcing their skills and abilities.

The offer of competitive remuneration and social benefits is another of Técnicas Reunidas' cornerstones, creating a work environment which fosters the welfare and satisfaction of its professionals.

The Company also incorporates labour flexibility criteria into corporate policies, alongside social benefits which are adapted to the country and workplace. Some of the main measures include food allowances, life assurance and accident insurance, advances, loans and an employee club.

Técnicas Reunidas offers specific incentives for high performing employees. Once identified, the Company offers these employees specialised training and development plans. It also complements these measures with specific remuneration actions over the short and long term.

Finally, Técnicas Reunidas conducts surveys on its working environment every two years, gathering information on employees' levels of satisfaction with their jobs, their relationships with the Company and their superiors, their workloads, etc., and develops action plans based on the analysis of employees' responses.



KNOWLEDGE MANAGEMENT [404-1]

In Técnicas Reunidas' business activities, the management and sharing of knowledge adds value to projects and reinforces their quality.

Another key aspect that directly impacts on the Company's competitiveness is the safeguarding and enhancement of its intellectual capital. Knowledge management is carried out mainly through the training resources and necessary know-how that are made available to employees and that enable them to improve their performance at work.

To ensure the usefulness and progressive nature of the courses offered, trends in skills audits for each area are analysed, identifying any gaps in specific skills and implementing specific training programmes (learning paths). In addition, after every training action, participants' managers are sent a questionnaire to assess the effectiveness of the training provided and to identify potential improvements and adjustments to future training.

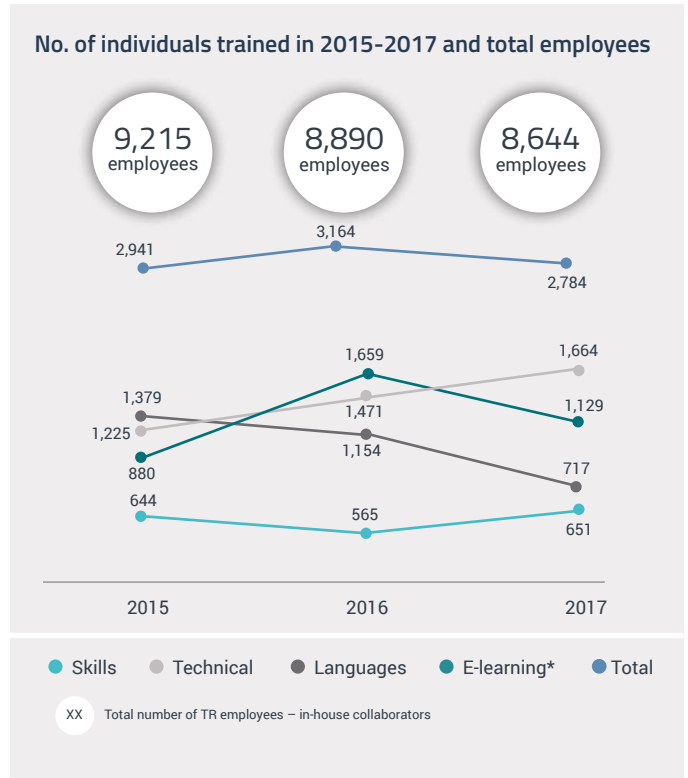
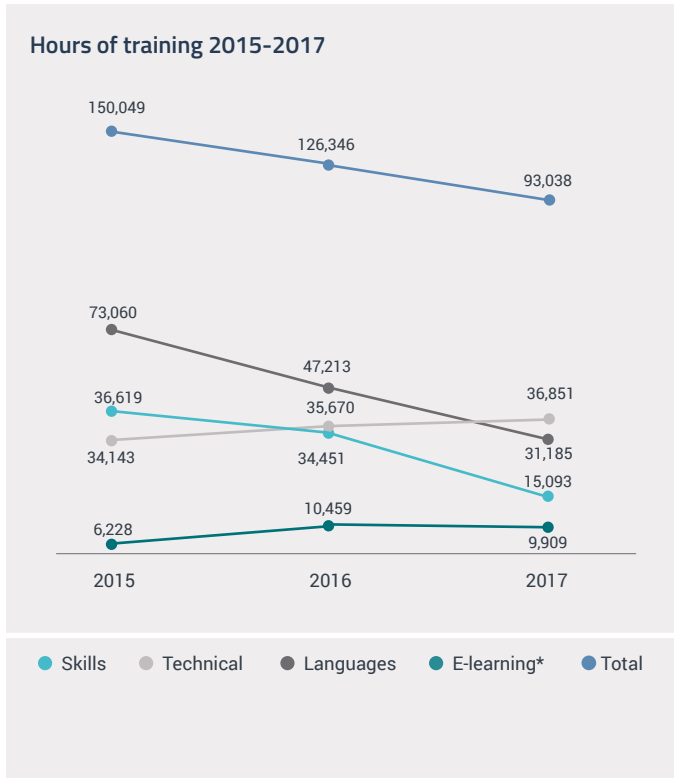
Técnicas Reunidas currently has four main educational blocks covering the training needs of the Company's employees (see diagram).



In 2017, Técnicas Reunidas' professionals received more than 90,000 hours of training. Average training per employee has amounted to 19.47 hours a year.



Training at Técnicas Reunidas: key indicators



WOMEN: 23.63 H/EMPLOYEE
DISTRIBUTION OF TRAINING IN 2017 (BY GENDER)
MEN: 17.23 H/EMPLOYEE

REINFORCEMENT OF TRAINING IN INFORMATION SECURITY

One of the areas in which Técnicas Reunidas is strengthening its training is information security, which represents a critical aspect for the Company.

Notable actions in this area include the TRAula security course (mandatory for new employees), as well as the information security courses that have been provided to more than 4,000 people over the last three years.



The Company's efforts towards retaining talent and professionals are bearing fruit. Over the past year, at 3.2%*, voluntary employee turnover has remained well below the average for the sector.

* Data corresponding to workforce hired in Spain (excluding Heymo).

TALENT ATTRACTION AND SELECTION

Técnicas Reunidas' aims in terms of attracting talent and selecting personnel focus on incorporating the best available talent, including both highly skilled, seasoned professionals committed to the Company venture and young talent with development potential.

Técnicas Reunidas is aware of the risk posed by the talent gap (a shortage of professionals with specific profiles) for certain companies over the medium and long term. For this reason, while this does not constitute a significant risk for Técnicas Reunidas, the Company has worked steadily during recent years on retaining and attracting talent. On the one hand, it provides current employees with the necessary knowledge and skills and, on the other hand, it increases knowledge of the Company among professionals in the sector and students, making Técnicas Reunidas an attractive option for their career development.



The Company has developed schemes aimed at the incorporation of young talent. Because of the Company's international coverage, there are specific recruitment and training programmes in place in the countries where Técnicas Reunidas has a significant presence, as well as international grants for internships in Spain.

COMMITMENT TO TALENT ATTRACTION THROUGH SOCIAL MEDIA

Técnicas Reunidas has an active presence on social media such as *LinkedIn* and *Twitter*, allowing it to get closer to its stakeholders, as well as the professionals and students who are interested in joining the Company.

This presence helps the Company to be more effective in attracting new talent through the regular publication of both job offers and information on the multiple projects undertaken around the world.

Key data on Técnicas Reunidas' social media presence

	+ de 90,500 FOLLOWERS	@Técnicas Reunidas
	+ de 4,600 FOLLOWERS	@TRSA_rrhh



Técnicas Reunidas also has internship agreements with some 70 universities, foundations and entities, both Spanish and international. The most noteworthy include those with prestigious institutions such as Imperial College London (United Kingdom), Drexel University and Texas A&M University (USA), KTH Royal Institute of Technology (Sweden) and the Fundación Consejo España - USA, receiving students from universities such as the Cornell Institute, MIT and the Georgia Institute of Technology.

The Polytechnic University of Cartagena (UPTC) and Técnicas Reunidas will provide training on starting up chemical plants

Through an agreement signed with the UPTC in September 2017 (one of many signed with universities throughout the world), Técnicas Reunidas will enable students to receive training from Company professionals with extensive experience in this field.

This close relationship with the university enhances students' knowledge of Técnicas Reunidas and strengthens the Company's capacity to attract future talent.

In 2017, a total of 266 agreements with universities and other organisations were signed in order to offer internships in the Company. More than half of the interns (61%) were subsequently offered contracts.

Técnicas Reunidas' recruitment and selection principles



6.3 FOCUS ON R&D&I

Innovation is an essential part of Técnicas Reunidas, an indispensable element in maintaining its position in an increasingly competitive market. The Company is working to stay ahead of clients' demands and exceed their expectations, strengthening its leadership position through innovation, methodologies and tools for management, design and control, which together constitute a benchmark in the global market.



KEY INDICATORS

INDICATOR	2017 DATA	2015-2017 PROGRESS
Investment in R&D&I (€ million)	10.3	-32.7%**
Professionals working in R&D&I (equivalent number)	150	-33.3%**
Professionals working exclusively on research (number)	57	-24.0%**
Impact on turnover of technologies developed in exclusive R&D&I projects (€ million)*	4.4	-57.6%**



2017 MILESTONES

- Implementation of innovative aspects in virtually all departments. Special achievements in the area of construction.
- Consolidation of Técnicas Reunidas as a benchmark company in the Middle East for the most important clients in the region.
- Increase in Company presence in the conceptual design, FEED and PMC segment.
- Significant progress in the maturation of technology under development in the European LIFE+ WALEVA and LIFE+ ZAESS projects.
- Development of technology for Zinc extraction from incinerator waste.
- Updating of the design for the reactor at the nitric acid plant in Tarragona for MAXAM.
- Development of the operating procedure and emissions reduction procedure for the Caojing PR nitric acid plant (China) for BASF.



2018 GOALS

- Improvements in integrated management processes for EPC (engineering, procurement and construction).
- Optimisation of work processes and monitoring of project implementation.
- Strengthening of the use of both internal and external feedback (clients, partners and subcontractors) to ensure excellence in projects.
- Review of procedures, agreements and cooperation protocols with partners.
- Advances in knowledge and development of technologies for recovery of phosphorus from sewage sludge incineration ash, recovery of neodymium and praseodymium, and energy storage using nickel-zinc flow batteries.
- Development of OTS (Operator Training System) software for simulating the operation of nitric acid plants in order to improve training for operators of these plants.
- Start of marketing of a compact hydrogen production system.

* For the purpose of information comparability, ESPINDESA is excluded. Neither is the impact of other (non-R&D&I) innovation activities taken into account, whose direct or indirect effect would amount to hundreds of millions of euros in sales.

** Important note concerning the comparison tables: The decrease in several of the presented R&D&I ratios is due to the fact that many of the new methodologies, procedures, tools and standards developed in recent years are now in the implementation phase and it is therefore considered appropriate to devote greater efforts to their consolidation than to developing new models.

MANAGEMENT APPROACH

INNOVATION MODEL

Pivoting around innovation and research, Técnicas Reunidas' innovation model is aimed at improving efficiency in project implementation and client satisfaction, controlling the budget (costs), complying with plans, and ensuring quality and performance in environmental areas and occupational health and safety (HSE - Health, Safety & Environment).

To achieve this goal, the model incorporates suppliers and subcontractors right from the initial stages of projects. This

allows the Company to strengthen its control processes for risks and opportunities, as well as continuous improvement during its activities (see box below).

Innovation at Técnicas Reunidas is complemented by significant endeavours in the field of R&D. Thanks to this, the Company is developing new technologies with market potential, giving rise to new lines of business.

OUTSTANDING INNOVATION PRACTICES AT TÉCNICAS REUNIDAS

Reinforcement of global risk control

Contracts are increasingly demanding and require appropriate monitoring during all phases. All the steps carried out need to be documented, so that in the event of a dispute all actions can be justified to third parties. This increased demand for monitoring is a challenge from the standpoint of management.

In response to this, the Company is using innovative tools to upgrade and improve its method of managing and documenting projects. These tools include EOMs (Executive Operation Meetings), which are increasingly automated and enable clear and decisive identification of both positive and negative deviations from projects. In addition, every week, detailed information is gathered on the actual status of projects, as part of the Risk Management System.

Focus on the construction phase right from the initial stage

To enable the more efficient execution of the construction phase, Técnicas Reunidas encourages subcontractors' involvement right from the initial phase, designing construction schemes to facilitate the achievement of objectives and analysing any schemes that may be more feasible.

Thanks to this approach, the available resources can be optimised, helping to maximise project quality and enhance client satisfaction.

Within this context, Técnicas Reunidas also takes into account the use of support tools that enable remote viewing of the actual situation of each project (e.g. by means of virtual reality). The use of these innovative tools will contribute to better monitoring of the status of projects, reducing risks and optimising deadlines

Knowledge development and management is key to innovation and continuous improvement at Técnicas Reunidas.

Técnicas Reunidas' innovation model

STRATEGIC APPROACH	<ul style="list-style-type: none"> • Driven by the 'innovation challenges' set for the Company by Operations Management.
LEADERSHIP AND RECOGNITION	<ul style="list-style-type: none"> • Leadership in various fields and geographical areas, giving the Company the confidence necessary to implement projects on an ongoing basis with the world's major oil companies¹. • Development of new technologies at the José Lladó Technology Centre.
COMMITMENT TO INNOVATION	<ul style="list-style-type: none"> • Focus on good integration with clients, partners, contractors and other agents involved in projects. • Commitment from senior management which also extends to all partner companies. • Continuous progress on systems to optimise cooperation with partners and subcontractors. • Contact with production plants to strengthen relationships with clients and analyse potential improvements in areas of collaboration.
KNOWLEDGE MANAGEMENT	<ul style="list-style-type: none"> • Promotion of knowledge sharing through lessons learned, Golden Rules and the development of new procedures. • Availability of a database of suppliers and subcontractors, including all information relevant to managing knowledge and ensuring better decision-making at the bidding, contract award and order phase. • Annual presentations of project forums and strategic plans to a growing group of department heads, project managers and experts in specific fields. • Incorporation of upgrades for existing software into projects (or development of proprietary systems) in order to mitigate risks and ensure good project management. • Ongoing contact with plants to encourage knowledge sharing about the details of production, common problems and improvements to be implemented. • Participation of Company professionals in external forums.
COOPERATION AND COMMUNICATION	<ul style="list-style-type: none"> • Creation of plans to promote internal and external collaboration on innovation. • Active cooperation with clients, partners, suppliers and subcontractors in the search for project solutions that allow the Company to be seen as more than just a service provider. • Frequent work with repeat suppliers and subcontractors (cemented in cooperation schemes), enabling reliable performance in projects and reducing risks.

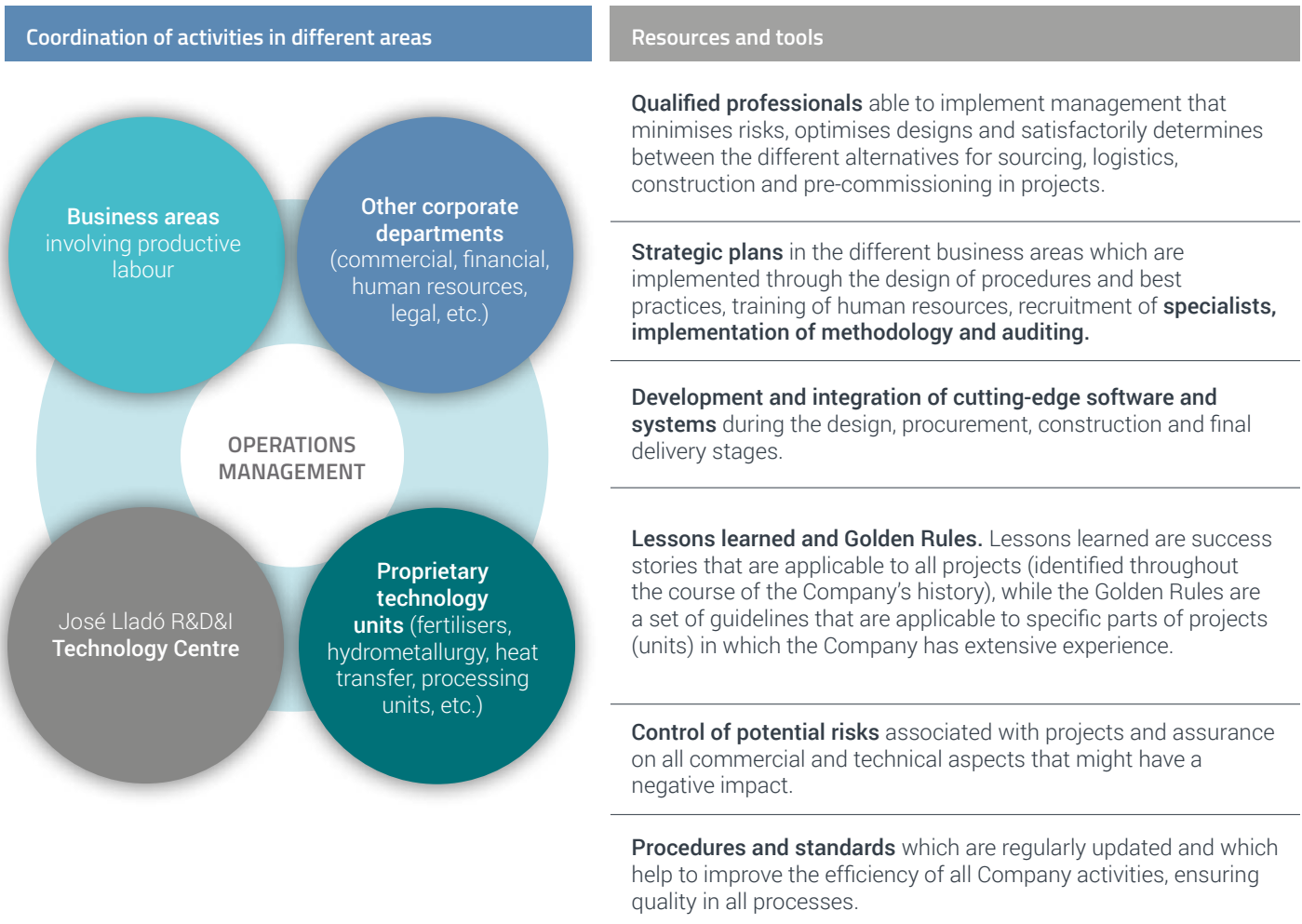
¹ These include Saudi Aramco, Total, Lukoil, ADNOC, Tupras and, most recently, Petronas, KNPC, Pemex and BAPCO.

MANAGEMENT STRUCTURE AND MECHANISMS

Integrated management of R&D&I at Técnicas Reunidas is carried out through the Operations Department, which coordinates this work across various areas.

There is a close relationship between innovation, leadership and client confidence. The integration of these aspects allows Técnicas Reunidas to offer clients a wide range of solutions which respond to their needs.

Management of innovation and R&D&I at Técnicas Reunidas



TÉCNICAS REUNIDAS' INNOVATION STRATEGY

Técnicas Reunidas' innovation strategy is implemented across three areas:

Growth through identification of business opportunities

- In its most active area of business (Oil and Gas), Técnicas Reunidas is committed to optimising the quality of its resources, consolidating its know-how (expertise acquired from projects undertaken throughout the Company's history) and transforming its working methods, as part of its ongoing drive for excellence.
- The Company's involvement in modular plant design projects and the development of basic design are activities that have helped consolidate Técnicas Reunidas' presence in the global market.

Diversification through the development of products and services that respond to the needs of both current and potential clients

- In recent years, Técnicas Reunidas has striven to seek out new clients and markets. As a result, the Company has implemented noteworthy projects in the area of oil and gas (in Saudi Arabia, Oman, Bahrain, Kuwait, Turkey, USA, Canada, Peru, Bolivia, Russia, Belgium, China, Mexico and Egypt) as well as other projects related to the production of plastics and nitrates and electric power generation (in Australia, Mexico, France, Dominican Republic, United Kingdom and Norway).
- With regard to R&D&I, Técnicas Reunidas has focused on three areas of activity: raw materials, energy storage and the environment. The strategy for the near future involves the consolidation of pre-existing technologies and the development of new technologies in different fields, based on the organisation's existing know-how.

Interaction with the aim of maintaining close relationships with clients, suppliers, subcontractors and other entities

- In an increasingly globalised business and social context, where technology drives the development of communications, the Company's innovation strategy is geared toward pursuing leadership in the fields where it operates and branching out into the management of emerging areas such as big data, virtual reality applications and the use of artificial intelligence. Management and knowledge of these areas allows extended cooperation with relevant partners, creating opportunities to increase the efficiency of work processes and develop new technologies that help the Company grow.

- At the same time, the progress made on improving integration and collaboration, as well as communication with partners in supplies and subcontracting, encourages the distribution of work based on each party's capacities, the monitoring of achievement of targets and the exchange of opinions between managers through win-win strategies.

Greater interaction with innovative companies, research organisations, suppliers, subcontractors and the operational environment offers synergies in securing more ambitious projects and developing new services, processes and technologies.

OPEN INNOVATION: CREATION OF NEW OPPORTUNITIES FOR GROWTH, DIVERSIFICATION AND INTERACTION

Técnicas Reunidas also focuses on open innovation as a way to grow and generate synergies in this area.

Interaction with innovative enterprises, research organisations and the operational environment offers a clear advantage, since it involves all the external elements for the development of Técnicas Reunidas' services, processes and technologies. This collaboration with other agents involved in the system of innovation enables improved effectiveness of allocated resources and minimised risks, at the same time as accelerating the market launch of new services, processes and technologies.

The José Lladó Technology Centre plays an important role in the consolidation of open innovation, forming partnerships with various public research institutions, technology centres and universities.

COMPANY KNOW-HOW AT THE SERVICE OF THE CLIENT

Técnicas Reunidas has managed the construction of over 1,000 industrial plants for several leading companies in the energy and chemical sectors. This experience has involved conventional and modular projects in diverse geographical environments and climatic conditions.

Alongside this, Técnicas Reunidas offers its clients its capacity to use the most advanced tools and the expertise developed during all phases of projects, from project management and engineering, through procurement to construction and commissioning. This know-how has been of undisputed value when offering clients two types of projects of increasing interest in the market: the revamping of processes and standardisation of plants.

The Company is also able to share with clients its know-how in Health, Safety and the Environment, its experience in managing suppliers and subcontractors from all around the world, the power of its processes department and the proprietary technologies it has developed. It also controls and

manages risks with transparency, keeping clients advised of any potentially complicated situations. This set of capabilities positions the Company at the forefront in its field.

Holding this leadership position is essential for gaining access to clients and projects. In this area, the Company is increasingly focused on working with clients on the development of some of its basic pre-implementation tools for projects, including conceptual studies, feasibility studies and engineering design, which also enables it to lead consortium projects (see box below), facilitating more competitive solutions.

In developing these solutions, Técnicas Reunidas does not limit its participation merely to the implementation of projects, but also involves itself in post-delivery operation, offering support for its clients. This ongoing relationship with clients, as a supplier of technology after completion of construction projects, enables Técnicas Reunidas to access information and identify issues from which future business opportunities can be generated.

Técnicas Reunidas' expertise is at the service of clients in revamping projects and plant standardisation.



Highlighted case Revamping projects

One example of the type of project in which the Company's know-how has been particularly valued by its clients is 'revamping', which involves renovating specific units in plants while they are still in operation.

In recent years, Técnicas Reunidas has successfully implemented several projects of this kind. Thanks to its methodology and know-how, the Company is able to overcome the specific difficulties entailed in these projects, such as at the Skorpion plant in Namibia (outlined on page 62 of the Company's [2016 Integrated Report](#)).



Photo of the Zinc refining plant "Skorpion" in Namibia.



Highlighted case Standardisation projects

Projects require increasingly greater standardisation, in response to more frequent demand from clients. Unsurprisingly, this provides an important advantage for them, since it significantly reduces the number of suppliers required during the operation and maintenance phases.

This type of action is a challenge for Técnicas Reunidas, since this aspect must be planned from the design phase as the number of available suppliers decreases.

Once again, the Company's thorough understanding of both its supply chain and its clients enables it to successfully overcome this situation, developing appropriate purchasing strategies in the early stages of its projects.



Highlighted case

Implementation of joint venture projects

In 2017, Técnicas Reunidas has been awarded various joint venture projects in conjunction with other companies from other regions across the world.

In many of these projects, implemented in countries such as Azerbaijan, Kuwait and Turkey, the Company has pursued and achieved a leadership role, collaborating and cooperating with others when the situation demands.

In all cases, Técnicas Reunidas has needed to innovate in designing or instigating a way of working to enable optimised cooperation and positive results, ensuring its continued standing and reputation in the market.

Working with partners involves establishing and implementing projects in the most unified way possible, where collaboration from the start of the project paves the way to its success, overcoming difficulties arising from the convergence of different cultures and ways of working within a limited timeframe.

COMMUNICATION WITH CLIENTS AND CLIENT SATISFACTION

The characteristics of the business and the type of projects implemented make it essential to maintain ongoing dialogue with clients during the development of projects.

To maximise client satisfaction, Técnicas Reunidas has a system in place, based on the establishment of global indicators for implementing projects, which rapidly provides information on outcomes and potential improvements.

Project follow-up also includes the holding of EOMs (Executive Operations Meetings) to review the status of projects from the standpoints of status, progress, difficulties and opportunities, both internally, with all the teams involved in the project (usually weekly), and externally, with clients and partners (usually monthly). Lastly, the Company collects information on client satisfaction through a review exercise at the end of the project.

For Técnicas Reunidas, it is essential to hear the views of clients and major suppliers, in order to improve the quality of work and strengthen the Company's quality management system.


The most obvious demonstration of client satisfaction is the high percentage of repeat contracting with Técnicas Reunidas, a particularly outstanding achievement given the high level of competition in the market, which is clearly reflected, according to the publication ENR, in markets such as the Middle East.

R&D&I AND PROPRIETARY TECHNOLOGY

Since its founding, Técnicas Reunidas has devoted considerable resources to R&D&I for industrial processes and technologies. In this way, it has amassed considerable know-how in the design of refining and petrochemical units, the overseeing and management of complex projects and the verification and development of data on basic engineering, which has enabled it to consolidate its leadership position at international level².

At the same time, the work carried out by the subsidiary ESPINDESA, through its Heat Transfer Division, and by the Proprietary Technology Development Division, in partnership with other institutions, has resulted in the granting of numerous patents and the presentation of various publications.

Patents and licences owned by Técnicas Reunidas

PATENTS AND TRADEMARKS	PRODUCTION LICENCES
<ul style="list-style-type: none"> • Intellectual property rights to ZINCEX™ processes (patent family valid in more than 10 countries). • Intellectual property rights to the ECOLEAD™ process. 	<ul style="list-style-type: none"> • Nitric acid in all forms and for all uses • Ammonium nitrate in all forms. • Granular fertilisers (DAP, NPK, CAN). • Urea ammonium nitrate solutions (UAN). • Zinc production (ZINCEX™). • Lead and silver production (ECOLEAD™).

Técnicas Reunidas is a global leader in the field of nitric acid, prilled ammonium nitrate for mining, and zinc base metal recovery with its ZINCEX™ solvent extraction technology.

Another area in which the Company focuses its efforts in innovation is the development of clean technology.

In this area, having already established a close working relationship with catalyst suppliers in order to reduce emissions in nitric acid projects, it has also promoted to clients the development of dual purpose plants which optimise energy consumption. The Company is also amassing extensive experience in the field of power generation, developing technologies for energy storage (such as the ESTEFI project).

Alongside this, Técnicas Reunidas is developing technologies aimed at the recovery of metals from waste of all kinds (such as the Reclaim project). Its work in these two areas are in line with European environmental policies with regard to a more rational use of resources and the promotion of the circular economy.

² In recent years, Técnicas Reunidas has held positions 10 and 11 in the *International Design Companies* section of ENR (Engineering News-Record).

Finally, the Company is alert to new areas that may offer business opportunities and growth, such as the extraction of rare earths³, considered critical and strategic metals in Europe, United States, Japan, China, South Korea and Australia.

INNOVATION AT THE SERVICE OF THE ENVIRONMENT

Noteworthy technologies developed by Técnicas Reunidas with the capacity to generate environmental benefits include the LIFE+ WALEVA and LIFE+ ZAESS projects.

The LIFE+ WALEVA project enables the production of levulinic acid from biomass waste. Currently, this type of agricultural waste is burned in the fields, creating significant environmental problems due to the high levels of greenhouse gas emissions. Production of levulinic acid using this technology leads to a reduction in CO₂ emissions of more than 80%.

At the same time, the LIFE+ ZAESS project has focused on the development of energy storage technology based on zinc-air flow batteries, with the aim of increasing the proportion of intermittent renewable energy in the European energy mix and reducing CO₂ emissions. According to several environmental studies, the use of these batteries to achieve a higher proportion of renewables in the energy mix could lead to a reduction of more than 1.5 million tonnes of CO₂ a year in Spain.

Projects undertaken by Técnicas Reunidas in the last year which generate environmental benefits include the project to update the BASF nitric acid plant in China to reduce its environmental impact. Notable minimisations of environmental impacts include the following:

- reduction of greenhouse gas emissions by 65% during start-up (3 to 4 times a year);
- 20% reduction in NOx emissions during days with higher ambient temperature;
- reduction of the visual impact of the gases generated during start-up.

Técnicas Reunidas is consolidating its extraction technologies, generating new business opportunities for the Proprietary Technology Development Division.



Highlighted case

José Lladó Technology Centre, the heart of Técnicas Reunidas' R&D&I

Técnicas Reunidas has had its own technology centre since 1974, working within the remit of the Proprietary Technology Development Division. The José Lladó Technology Centre, in San Fernando de Henares, has a surface area of over 5,000 m² and a workforce of more than 70 professionals.

This centre is a space for fostering R&D&I, acting as a trailblazer in the transfer and dissemination of technology, where the client is at the centre of activity and innovation is the lever for competitiveness. The Technology Centre facilitates and boosts The Company's participation in R&D&I processes and activities.

The Technology Centre is involved in research projects and technological development, with special attention to the technological needs of business. It also provides technological services and technical support, collaborates in the dissemination of research findings among the various public research centres, technology centres and Técnicas Reunidas, and promotes and participates in the development of cooperative research between companies.





³ Rare earths: Group of 17 elements which are typically dispersed and not often found concentrated like most other elements. These elements are increasingly in demand, with multiple uses of high added value.

R&D&I projects for new technologies involving Técnicas Reunidas

<p>LIFE + WALEVA PROJECT</p>	<p>LIFE + ZAESS PROJECT</p>	<p>BUTANEXT PROJECT</p>	<p>3R2020 PROJECT</p>
			
<p>Aim. Scaled technology for production of levulinic acid from biomass to study its technological and financial feasibility.</p> <hr/> <p>Técnicas Reunidas' involvement. Leadership of the consortium and responsibility for scaling developed in the technology centre. The technology under development will be proprietary to the Company.</p>	<p>Aim. Scaled technology for zinc-air flow batteries to study their technological and financial feasibility.</p> <hr/> <p>Técnicas Reunidas' involvement. Leadership of the consortium and responsibility for scaling developed in the technology centre. The technology under development will be proprietary to the Company.</p>	<p>Aim. Development of highly efficient production processes using sustainable raw materials for the generation of biobutanol.</p> <hr/> <p>Técnicas Reunidas' involvement. Development of proprietary technology and equipment for the preliminary treatment of biomass waste.</p>	<p>Aim. Development of innovative technologies for recovering and recycling specific waste streams which are not currently recoverable, to convert them into useful, economically viable resources.</p> <hr/> <p>Técnicas Reunidas' involvement. Development of hydrometallurgical processes for the recovery of metals from industrial and urban waste streams with significant metal content.</p>
<p>ESTEFI PROJECT</p>	<p>INT-MET PROJECT</p>	<p>LIGNOPRIZED PROJECT</p>	<p>MONACITE PROJECT</p>
			
<p>Aim. Development of an efficient solution to public transport needs in urban centres through a new intermodal concept (tram, bus, electric vehicles and lifts) involving the functional integration of the most innovative accumulator technology.</p> <hr/> <p>Técnicas Reunidas' involvement. Development of energy storage technology based on nickel-zinc flow batteries for application in intermodal transport networks.</p>	<p>Aim. Development of integrated processing of minerals and/or produced concentrates, using a combination of innovative hydrometallurgical processes and new, more efficient extraction techniques for the processing of metals.</p> <hr/> <p>Técnicas Reunidas' involvement. Development of processes for the production of zinc (Zn), silver (Ag), lead (Pb) and high value-added metals from low-grade mineral concentrates or polymetallic nodules.</p>	<p>Aim. Development of biorefinery processes for the production of high value-added products from lignin.</p> <hr/> <p>Técnicas Reunidas' involvement. Development of processes for the recovery of lignin from different sources (Kraft and Klason) in high value-added applications and products.</p>	<p>Aim. Development of hydrometallurgical processes for extracting rare earths (neodymium, praseodymium, gadolinium, lanthanum and europium) from minerals such as monazites, silicates rich in this type of element.</p> <hr/> <p>Técnicas Reunidas' involvement. Development of hydrometallurgical processes for obtaining rare earths (neodymium, praseodymium, gadolinium, lanthanum and europium) from minerals such as monazites, silicates rich in this type of elements.</p>

6.4 EXCELLENCE IN ENVIRONMENTAL PERFORMANCE

Environmental management is a priority which is fully integrated into the strategy defined by senior management. The Company has continued making progress during 2017, adapting its Environmental Management System to the highest standards and establishing a new commitment to emissions reduction in line with the Paris Agreement.

 KEY INDICATORS			 2017 MILESTONES
INDICATOR	2017 DATA	2016-2017* PROGRESS	
Energy consumption (GJ)	588,347	+29.6%	<ul style="list-style-type: none"> Adaptation of the Company's Environmental Management System to the new standard ISO 14001:2015 and external certification. Updating and signature by the Company's Vice Chairman I of the Corporate Policy on Quality, Safety, Health and the Environment. Consolidation of the reporting system, extending the boundary to cover 100% of the Company's projects and setting the base year as 2016. Performance of energy audits in all Company facilities in Spain, in accordance with Royal Decree 56/2016. Integration of environmental goals into the Company's Strategic Plan, underlining its commitment to a 12% reduction in CO₂ emissions by 2030. Reinforcement of environmental management in the value chain, including environmental requirements in the approval process for suppliers and contractors.
Greenhouse gas emissions - Scopes 1 and 2 (tCO ₂ eq)	44,034	+29.7%	
Greenhouse gas emissions - Scope 3 (tCO ₂ eq)**	22,723	+35.6%	
Steel consumption (t)***	83,357	-49.0%	
Copper consumption (t)	1,098	+10.3%	
Hazardous and non-hazardous waste generated (t)	39,968	+213.5%	

 2018 GOALS
<ul style="list-style-type: none"> Evaluation of Técnicas Reunidas' commitment to emissions reduction (Science Based Targets). In-depth analysis of the results of energy audits performed in 2017, with the aim of developing corporate guidelines on energy efficiency. Reorientation of the Company's approach to waste management toward the principles of the circular economy. Integration into the Environmental Log (database on projects' environmental requirements) of indicators related to environmental compliance. Evaluation of the acquisition of emission credits to strengthen the Company's emission reduction strategy.

* Técnicas Reunidas established 2016 as the base year for its environmental indicators, so no figures for the evolution of previous years are shown. In 2016, the Company substantially improved the data collection in 2016, moving from a manual to a computerized system.

** Scope 3 only includes data for the category 'Business Travel' for Técnicas Reunidas and Initec's offices and projects.

*** Includes consumption of structural steel, carbon steel and steel alloys and stainless steel in pipes and sheets.

MANAGEMENT APPROACH

For the last 17 years, Técnicas Reunidas' Environmental Management System (EMS) has been based on the need for continuous improvement in environmental performance. This system is implemented in accordance with ISO 14001:2015, pursuant to the policies, programmes and practices included in the Company's Environmental Management Guidelines and the United Nations sustainability principles.

In 2017, the Company has continued to reinforce key elements of its EMS. In this regard, noteworthy actions include updates to the [Policy on Quality, Safety, Health and Environment](#) and

to the Environmental Management Guidelines, adapting them to the new standard and strengthening Técnicas Reunidas' performance in this area.

Another important milestone in 2017 within the framework of environmental management was the consolidation of the use of a global software tool that allows the collection of environmental data in real time at the point of origin, providing the traceability necessary for subsequent verification. To date, this tool incorporates 431 environmental indicators reported by 55 entities, based on the needs of each entity.

Técnicas Reunidas has completed in 2017 the adaptation of its Environmental Management System to standard ISO 14001:2015, one year ahead of the deadline.

TÉCNICAS REUNIDAS' APPROACH TO ENVIRONMENTAL MANAGEMENT: STRATEGIC PILLARS

Effective incorporation of environmental aspects in the Strategic Plans for Operations Management and Business and in all activities.



Establishment of environmental goals and regular review.



Satisfaction of clients' requirements and compliance with current legislation, codes and applicable standards, as well as other mandatory environmental requirements.



Creation of effective channels of communication with employees and stakeholders.



Provision of adequate continuous training in environmental issues for employees and collaborators.



Establishment of monitoring channels that enable continuous improvement in efficient energy usage, environmental protection and prevention of pollution.



ENVIRONMENTAL MANAGEMENT ALONG THE VALUE CHAIN

Técnicas Reunidas' Environmental Management System applies beyond its own facilities. The Company extends its reach to cover the projects that it implements and ensures that this implementation complies with the applicable

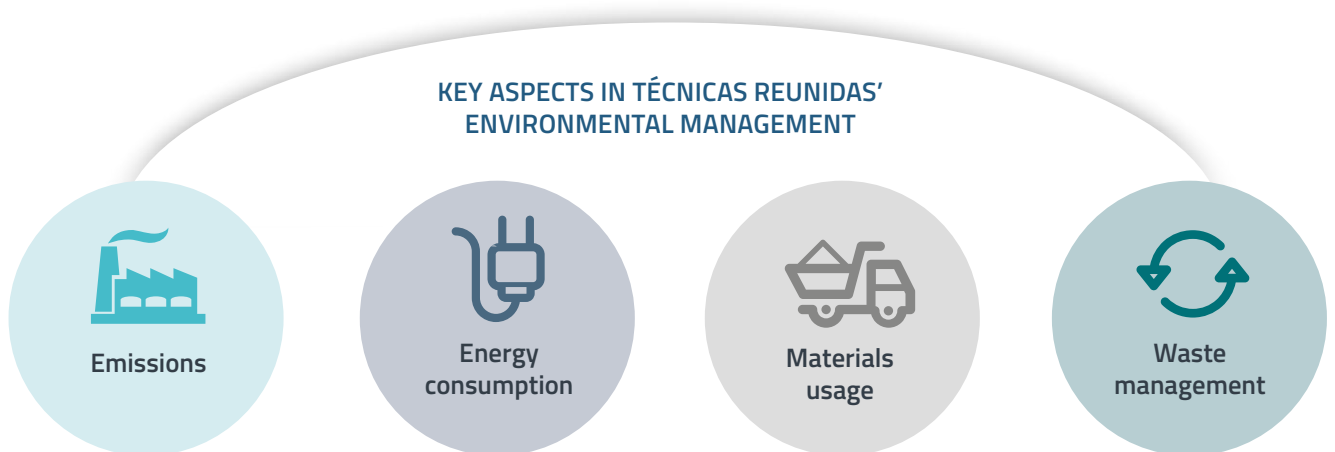
environmental legislation, contractual requirements and other sustainability criteria in the design of plants, in line with clients' requests.



ENVIRONMENTAL MANAGEMENT IN COMPANY ACTIVITIES

The EMS enables the identification and management of environmental aspects that arise directly from Técnicas Reunidas' activities.

Once these aspects are identified, the Company implements mitigation measures, in addition to setting targets and follow-up based on a balanced scorecard.

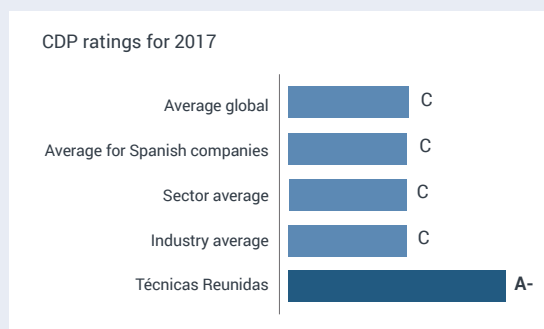


For more information, see the section on **Técnicas Reunidas' environmental performance** within this chapter.

Técnicas Reunidas, among the leading companies in the fight against climate change

For several years, Técnicas Reunidas has been involved in the CDP - climate change initiative aimed at investors and through which, by means of a public questionnaire, the Company reports on its emissions, strategy, and risks and opportunities in the area of climate change.

In 2017, Técnicas Reunidas has retained its position among the leading companies in Spain, demonstrating its commitment in this area and promoting transparency in communication with stakeholders.



ENVIRONMENTAL REQUIREMENTS FOR PROJECT IMPLEMENTATION

Técnicas Reunidas has implemented its EMS in all its projects, extending it to suppliers and subcontractors to ensure compliance with the applicable environmental requirements.

TÉCNICAS REUNIDAS' ENVIRONMENTAL MANAGEMENT SYSTEM IS ADAPTED TO EACH OF THE COMPANY'S ACTIVITIES AND PROJECTS



* Database which includes all environmental requirements for projects.

** In 2017, there was 1 internal environmental audit, 1 external environmental audit and 8 environmental audits for projects in the engineering phase.

ENVIRONMENTAL CRITERIA FOR PLANT DESIGN AND NEW TECHNOLOGIES

Técnicas Reunidas offers its clients the opportunity to take advantage of its capacity to integrate sustainability criteria into the design of projects. This provides significant added value for clients, who benefit from projects' improved environmental performance during the operational phase.

Within this context, the need to find solutions for combatting climate change has influenced the Company's long-term strategy on diversification of its activities and services, requiring the development of innovative solutions that respond to market demand.

APPLICATION OF SUSTAINABLE CONSTRUCTION CRITERIA AT THE TEESREP BIOMASS PLANT (TEESSIDE, UNITED KINGDOM)

The Company has contributed its know-how to the construction of various buildings in one of the new projects awarded in 2017, the TeesREP Biomass Plant in Teesside, Middlesbrough, United Kingdom, for MGT Teesside.

As part of the power plant, three fully equipped and occupied buildings need to be designed and constructed in accordance with the BREEAM® (Building Research Establishment Environmental Assessment Method) 'Very Good' criteria, with regard to their design, construction and sustainable operation.

BREEAM® certification encourages more sustainable construction that impacts positively on stakeholders affected by construction work (tenants, users, developers, owners, managers, etc.). Noticeable benefits include reduced energy consumption and waste, which translates into cost savings and reduced CO₂ emissions into the atmosphere. For more information, see: www.breeam.org.

ENVIRONMENTAL REQUIREMENTS FOR SUPPLIERS AND SUBCONTRACTORS

Técnicas Reunidas extends its environmental commitments to include its supply chain, demanding compliance with environmental requirements from its suppliers and subcontractors.

The Company has reached a milestone in this area in 2017 with the inclusion of environmental requirements in the approval process (e.g. requesting information from suppliers and subcontractors about their carbon footprint).

The Company aims to further strengthen environmental compliance and performance along its supply chain through measures including more fluid dialogue with all parties involved, better follow-up on audits and the establishment of improvement plans.



For more information on the various requirements for suppliers and subcontractors, see Chapter 6.6 'Efficient Supply Chain Management'



ENVIRONMENTAL PERFORMANCE [103-2]

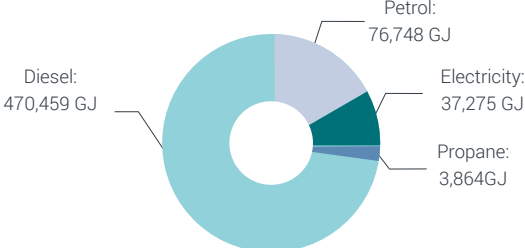
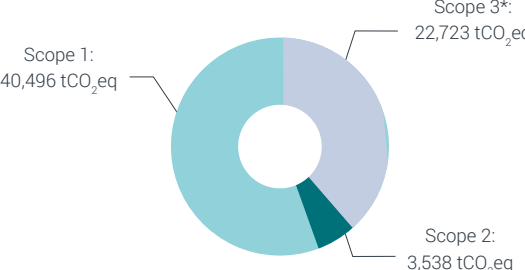
Técnicas Reunidas ensures detailed monitoring of its environmental performance through the definition of specific indicators in relation to material aspects in this area.

The Company has made a major effort over recent years to expand the boundary for activities covered by this monitoring. Based on the data collected, Técnicas Reunidas has established 2016 as the base year for analysing its environmental performance, consolidating this approach in 2017.

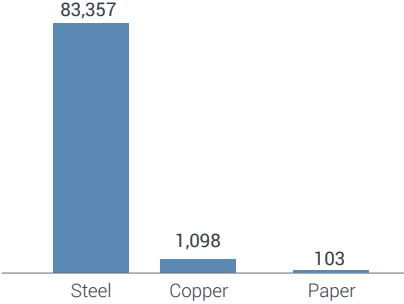
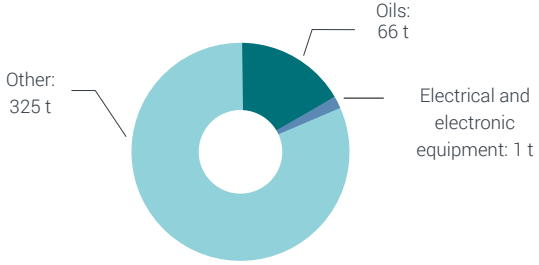
The Company has also standardised the calculation boundaries for intensities for the various environmental indicators.

These are now calculated per million euros of income (taking advantage of the fact that the financial information has the same boundary as the reported environmental information).

It is important to note that these ratios may vary significantly year on year, depending on the degree of progress of each project. The implementation of EPC projects obviously involves distinct phases with very different intensities of work, procurement and personnel.

ASPECT	2017 TARGETS AND INDICATORS ¹	2017 COURSES OF ACTION AND MILESTONES
<p>ENERGY [302-1]; [302-3]</p>	<p>Target: 2% reduction in electricity consumption over the 2016-2018 period.</p> <p>Progress: The Company's energy consumption in 2017 amounted to 588,347 GJ, which represents a 29.6% increase on the previous year. This increase is mainly due to the different degree of progress of the projects and to the increase of the report level.</p> <p>Energy consumption (GJ)</p>  <p>Total energy consumption: 588,347 GJ. Energy intensity: 116.1 GJ/million euros of revenues.</p>	<ul style="list-style-type: none"> • Implementation of energy efficiency plans. • Implementation of awareness campaigns, both face-to-face and web-based.
<p>EMISSIONS [305-1]; [305-2]; [305-3]; [305-4]</p>	<p>Target: 12% reduction over the 2016-2030 period.</p> <p>Progress: Técnicas Reunidas' Scope 1, 2 and 3 emissions amounted to 66,757 tCO₂eq, 32% more than in 2016. This increase is mainly due to the different degree of progress of the projects and to the increase of the report level.</p> <p>GHG emissions (tCO₂ equivalent)</p>  <p>Greenhouse gas emissions: 66,757 tCO₂eq. Emissions intensity: 13.17 tCO₂eq/million euros of revenues.</p> <p>* Scope 3 only takes into account emissions corresponding to the category 'Business travel' for the offices of TR and INITEC, and Técnicas Reunidas and INITEC projects. In previous years, this only included travel from Madrid, whereas from 2016, travel from subsidiaries/projects has also been included.</p> <p>* Scope 1 emissions intensity: 7.99 tCO₂eq/million euros of revenues Scope 2 emissions intensity: 0.70 tCO₂eq/million euros of revenues Scope 3 emissions intensity: 4.48 tCO₂eq/million euros of revenues</p>	<ul style="list-style-type: none"> • Promotion of transparency in the field of climate change through initiatives such as the CDP. • Commitment to the circular economy.

Note: In some cases the results for partial amounts may differ slightly from the total data due to rounding up.

ASPECT	2017 TARGETS AND INDICATORS	2017 COURSES OF ACTION AND MILESTONES																
<p>MATERIALS [301-1]</p>	<p>Materials consumption</p> <p>Progress: Steel consumption has been reduced by 49% in 2017, while copper consumption has remained in line with last year (increasing by 10%) and paper consumption has fallen by 34%.</p>  <table border="1"> <caption>Materials Consumption Data</caption> <thead> <tr> <th>Material</th> <th>Consumption (t)</th> </tr> </thead> <tbody> <tr> <td>Steel</td> <td>83,357</td> </tr> <tr> <td>Copper</td> <td>1,098</td> </tr> <tr> <td>Paper</td> <td>103</td> </tr> </tbody> </table> <p>Note: Of the total reported materials consumption, only paper is considered a renewable material.</p>	Material	Consumption (t)	Steel	83,357	Copper	1,098	Paper	103	<ul style="list-style-type: none"> • Optimisation in the use of material resources along all stages of the value chain. • Recovery of materials through R&D&I activities, e.g. development of technologies for recovery of non-ferrous metals. • Participation in European consortia for technological development, with projects aimed at the recovery of metals and rare earths. • Use of environmentally friendly paper in offices and awareness campaigns. 								
Material	Consumption (t)																	
Steel	83,357																	
Copper	1,098																	
Paper	103																	
<p>WASTE* [306-2]</p>	<p>Generation of non-hazardous waste (t)</p>  <table border="1"> <caption>Generation of non-hazardous waste (t)</caption> <thead> <tr> <th>Category</th> <th>Amount (t)</th> </tr> </thead> <tbody> <tr> <td>Waste comparable to urban</td> <td>20,883</td> </tr> <tr> <td>Other</td> <td>9,648</td> </tr> <tr> <td>Wood</td> <td>9,045</td> </tr> </tbody> </table> <p>Total non-hazardous waste: 39,576 t.</p> <p>Note: Waste that is comparable to urban waste includes wastewater that has not been discharged into the sanitation network and that has been collected in the projects for its adequate treatment.</p> <p>Generation of hazardous waste (t)</p>  <table border="1"> <caption>Generation of hazardous waste (t)</caption> <thead> <tr> <th>Category</th> <th>Amount (t)</th> </tr> </thead> <tbody> <tr> <td>Other</td> <td>325</td> </tr> <tr> <td>Oils</td> <td>66</td> </tr> <tr> <td>Electrical and electronic equipment</td> <td>1</td> </tr> </tbody> </table> <p>Total hazardous waste: 392 t.</p> <p>Note: The figure for hazardous waste does not include data on the sludge generated during projects, which is managed by authorised waste management entities. In addition, oils include various types of oils (lubricants, hydraulic fluids and oil-water mixtures).</p>	Category	Amount (t)	Waste comparable to urban	20,883	Other	9,648	Wood	9,045	Category	Amount (t)	Other	325	Oils	66	Electrical and electronic equipment	1	<ul style="list-style-type: none"> • Promoting the circular economy with the aim of preventing surplus materials from becoming waste. • Encouraging prevention, reuse and recycling instead of waste generation and dumping. • Prevention, mitigation and management of waste through the integration of more advanced techniques in the environmental design of plant processes. • Awareness-raising campaigns in offices and at sites.
Category	Amount (t)																	
Waste comparable to urban	20,883																	
Other	9,648																	
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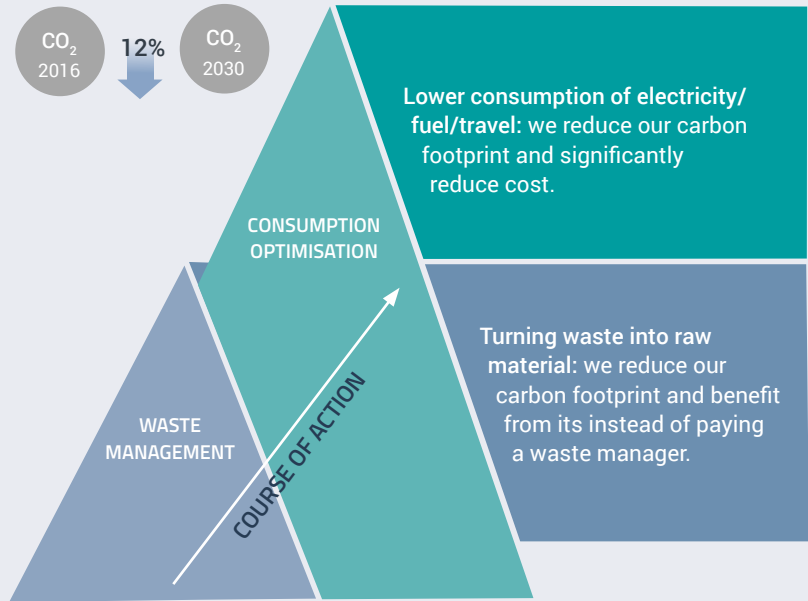
* Information on waste is not currently broken down by type of treatment. Técnicas Reunidas is working on being able to provide this information in the near future.

TÉCNICAS REUNIDAS IS COMMITTED TO THE CIRCULAR ECONOMY

In 2007, Técnicas Reunidas has reinforced its commitment to developing its environmental activity, taking into account the principles of the circular economy.


The Company's strategy in this area comprises three courses of action:

- Managing waste more efficiently, to convert it into raw materials.
- Optimising the consumption of electricity, fuel and travel to reduce its carbon footprint.



6.5 OCCUPATIONAL HEALTH AND SAFETY

To achieve full integration of occupational health and safety throughout the lifecycle of Técnicas Reunidas' projects, the Company has a solid, externally certified Management System in place, which extends to its suppliers and subcontractors.

 KEY INDICATORS			
INDICATOR		2017 DATA	2015-2017 PROGRESS
Hours worked (number)		137,902,242	+88.3%
Number of on-site employees (Técnicas Reunidas and subcontractors)		41,893*	+116.9%
LTIR**	Value	0.03	Values for these indices remained below the limits established by the Company throughout the 2015-2017 period***
	Target	0.07	
TRIR**	Value	0.11	
	Target	0.22	
SR**	Value	0.011	
	Target	0.020	
Average level of compliance identified in corporate internal audits (%)		89.40%	- 1.02 p.p.

 2017 MILESTONES
<ul style="list-style-type: none"> • Renewal of OHSAS 18001 certification for the Occupational Health and Safety System. • Implementation in Talara of a pilot project for the HSE**** performance measurement system for all construction personnel. • Award of NEBOSH international certification for the entire HSE corporate construction team not deployed on sites. • Holding of a session to analyse the most critical and repetitive non-conformities identified in internal HSE audits, with the aim of implementing improvements in the management system. • Implementation of a pilot programme for strengthening occupational safety in projects through changes in behaviour (Behaviour Based Safety). • Recognition of the Company project with the best HSE performance.

 2018 GOALS
<ul style="list-style-type: none"> • Assessment of the effectiveness of the HSE performance measurement system for all construction personnel in Talara, with the aim of extending it to other projects. • Award of NEBOSH certification for previously uncertified members of the HSE corporate construction team deployed on sites. • Transition to the new international standard in Health and Safety, ISO 45001. • Meeting of the Annual Accident Analysis Committee, involving representatives from the management of different areas of Técnicas Reunidas. • Gradual incorporation of new technologies in HSE activities to improve management. • Drive for HSE training aimed at management. • Increase in HSE requirements for suppliers and subcontractors.

* The number of employees on site has been calculated according to the working hours of each of the projects where Técnicas Reunidas operates.

** LTIR (lost time incident rate): (No. of incidents involving lost time/No. of hours worked) x 200,000. TRIR (total recordable incident rate): (No. of recordable incidents [according to OHSAS]/No. of hours worked) x 200,000. SR (Severity rate): (No. of days lost through incidents/Total no. of hours worked) x 1,000.

*** Progress is not indicated because the Company's targets are updated each year to increasingly demanding values. The Company's LTIR and TRIR are significantly below the target limits for both rates, which demonstrates good performance in this field.

**** HSE: Health, Safety and Environment.

MANAGEMENT APPROACH ^[103-2]

Técnicas Reunidas has had an Occupational Health and Safety Management System in place for ten years, certified according to the international standard OHSAS 18001 and covering all phases of the project life cycle.

This system is based on the Corporate Policy on Quality, Safety and the Environment, updated in 2017 and endorsed by the Company's Vice Chairman I. One of the aspects of particular focus in this review has been senior management's commitment to risk management and occupational health and safety.

To ensure that the Management System is implemented correctly and adequately tailored to the objectives set out, internal corporate health and safety audits are carried out, as well as the follow-up audits defined in the plans. Audit results are discussed with the client or subcontractor in situ, to reflect on the effectiveness of actions taken to correct deficiencies.

In addition, external audits are performed on projects at the construction phase, in order to maintain international certification of the System. During 2017, 19 internal audits were carried out during the construction phase of projects, resulting in the detection of 1,003 deviations (8.2% more than in 2016). The average level of compliance identified in the audits was 89.40%, which is in line with results over recent years and confirms the Company's satisfactory performance in this area.

Técnicas Reunidas also safeguards the health of its employees, focusing specifically on this area in countries where risks are posed by outbreaks of serious diseases among the population. The Company also endeavours to care for the health of its employees by means of numerous awareness and information campaigns, preventive measures and regular medical check-ups.

In the spirit of continuous improvement, Técnicas Reunidas has begun work on adapting its Occupational Health and Safety Management System to ISO 45001, the new international standard in this area, once it is finally approved.

The system of preventive observations (POP): Strengthening the culture of occupational safety in the Company

As a demonstration of the Company's commitment to extend the safety culture in the construction phase to all employees, throughout the last year the system of preventive observations (POP) has been consolidated in several of the projects that are being executed by Técnicas Reunidas.

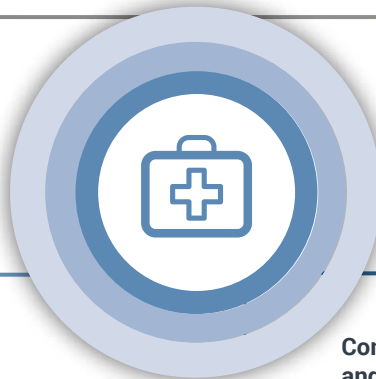
The fundamental objective of this system is to get involved in the continuous improvement of safety not only the specific personnel of this discipline but also all the participants in the management and supervision of the works, who have to receive adequate training on this program before its application so that once implemented, any employee will have a standardized tool to report those situations of risk detected in the work together with the measures to be adopted.



Basic principles of Occupational Health and Safety Management at Técnicas Reunidas

Integration of safety in the strategy

Health and safety aspects are integrated into the strategic business plans, with targets set throughout the organisation - both for sites and the corporate area - and evaluation of compliance.



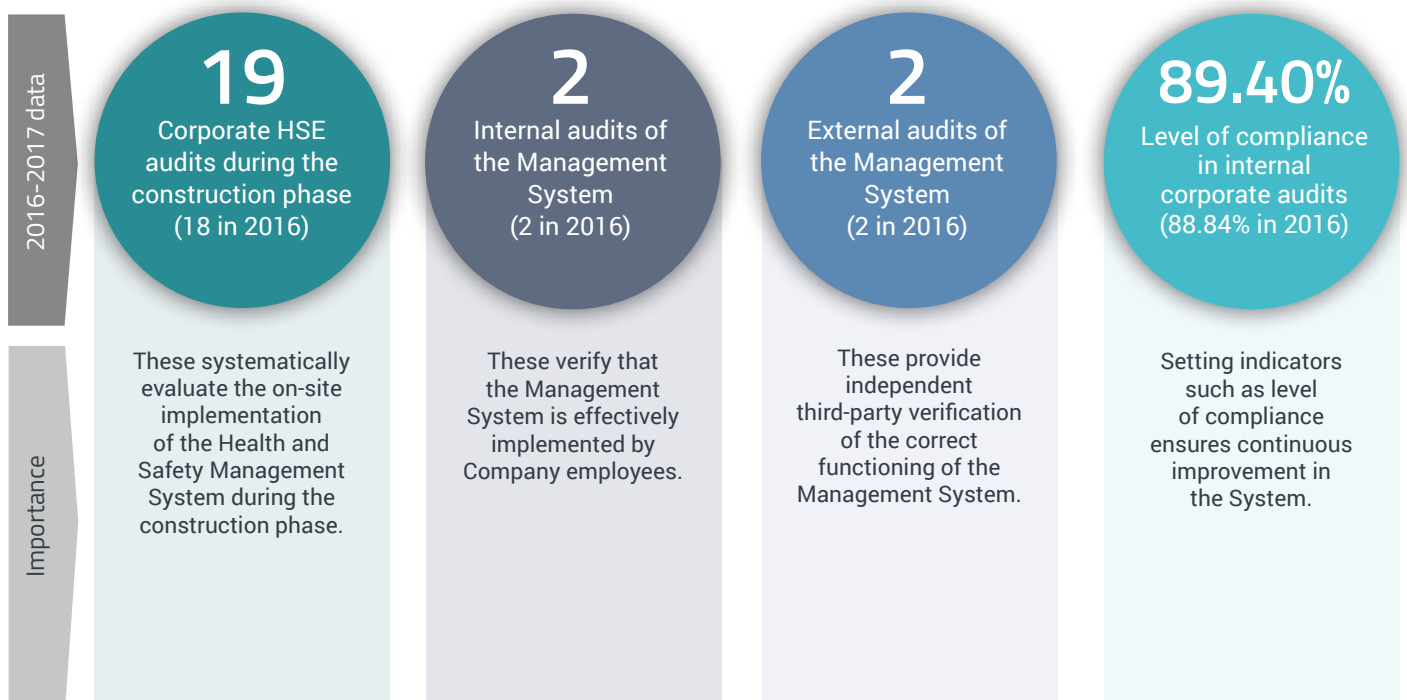
Incident prevention philosophy

Técnicas Reunidas endorses a work philosophy based on incident prevention throughout the Company and extended to suppliers, with the aim of guaranteeing the best possible working conditions.

Continuous improvement of processes and methods

The Company promotes a culture of continuous improvement in working methods and procedures and its subsequent application in all activities, reinforcing incident prevention.

Audits within the Health and Safety Management System



OCCUPATIONAL HEALTH AND SAFETY MANAGEMENT IN THE VALUE CHAIN

Técnicas Reunidas' commitment extends beyond its employees to include workers employed by contractors involved in the implementation of projects.

Within the management system, the On-site Heads of Health and Safety play an essential role in implementing the specific health and safety plans which define the scope of the work to be carried out, as well as the preventive actions necessary in each case. All those responsible for the management of health and safety aspects on sites report directly to the Project Manager, which reinforces their advisory capacity.

Both the On-site Health and Safety Team and the office-based prevention team are responsible for carrying out regular information campaigns on safety, risk prevention, healthy habits and good practices in the field of health and safety.

With regard to suppliers and contractors, Técnicas Reunidas applies a specific set of evaluation criteria in the area of occupational health and safety. Depending on the results, they may be either excluded or required to improve oversight in the workplace, implement an action plan or increase their number of audits. The approval process for suppliers and contractors, carried out through the *e-supplier* web portal, takes this aspect into account (for more information, see Chapter 6.6 'Efficient Supply Chain Management').

Team responsible for the implementation of health and safety plans. Responsibilities.



ON-SITE HEAD OF HEALTH AND SAFETY

- a. Implementing the HSE Plan, with the support of the project manager.
- b. Providing advice on the implementation of HSE standards and plans.
- c. Overseeing the on-site training plan.
- d. Evaluating the risks of activities not covered by the plan.
- e. Supervising the reporting of incidents and their investigation.
- f. Identifying high-risk activities not included in the plan and implementing a safe system of work.



OCCUPATIONAL RISK PREVENTION TEAMS

- a. Providing advice and guidance on health and safety standards.
- b. Promoting health and safety culture.
- c. Conducting drills.
- d. Developing and implementing health and safety policies.
- e. Monitoring risk assessments.
- f. Identifying training needs.
- g. Monitoring health and safety performance.
- h. Supervising the reporting of accidents and their investigation.

Técnicas Reunidas' recognition of projects with the best performance in on-site safety

At Técnicas Reunidas' Annual Forum on Project Management, which takes place every December, the Company's Chief Operating Officer took the opportunity for the first time to recognise projects that have excelled in safety performance during the construction phase.

In the category of projects with under a million construction hours during the year, the winner was Teesside (United Kingdom), with more than half a million safe hours, while in the category of projects exceeding a million hours of implementation, the winner was Jazan IGCC (Saudi Arabia), with more than eighteen million safe hours over the year.



Award of the prize for the highest number of safe hours on small-scale projects (+1,000,000 hours of construction in the year) to Teesside (UK).



Award of the prize for the highest number of safe hours on large-scale projects (+1,000,000 hours of construction in the year) to Jazan IGCC (Saudi Arabia).



CORPORATE CULTURE BASED ON SAFETY


Técnicas Reunidas fosters the creation of a specific corporate culture of occupational health and safety, promoting staff training processes, encouraging employees' participation in the tasks of preventing and addressing problems with working conditions and advocating joint responsibility in the different levels of the organisation.

The Company also works to ensure the standardisation of health and safety procedures throughout the entire organisation, in order to guarantee maximum efficiency in the dissemination and assimilation of corporate policies. This objective is based on an intensive drive toward training. During 2017, there were 0.56 hours of training provided in this area

for every 100 hours worked (5% more than in 2016), taking into account the personnel of both the Company (in offices) and its subcontractors.

Another aspect on which progress has been made in 2017 is the assessment and mitigation of psychosocial risks in the working environment. Through an evaluation survey (the third carried out) aimed at Técnicas Reunidas' workers in Madrid, the Company has been able to ascertain that no psychosocial risks have been identified. On the contrary, all the aspects assessed in the survey as potential risk factors obtained a positive rating, with environmental conditions in the workplace and the Company's computer system particularly valued.

Occupational health and safety training - Training provision

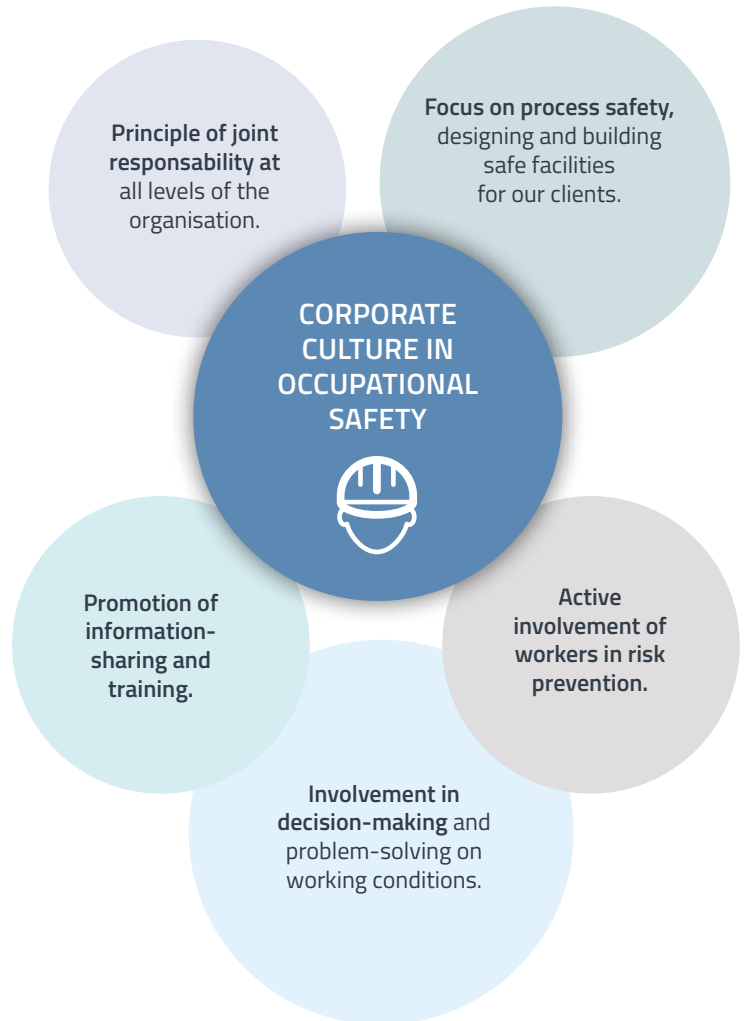

OFFICE PERSONNEL

- Training in job-specific risk prevention for all new additions to the workforce.
- Annual specialised training for other employees, according to demand.
- Annual training for emergency response teams on their responsibilities.
- Safety campaigns in offices.


SITE PERSONNEL

- Induction training on safety requirements for on-site activities, both for company employees and for subcontractors, before joining a project.
- Specialised safety training according to the specific activity, to be renewed within a period of one to five years.
- Specific programme of courses for personnel involved in the construction phases of projects, including mandatory courses and recommended courses.
- On-site health and safety talks at the outset of work between workers and their direct managers.

Corporate culture in health and safety at the workplace



OCCUPATIONAL SAFETY PERFORMANCE

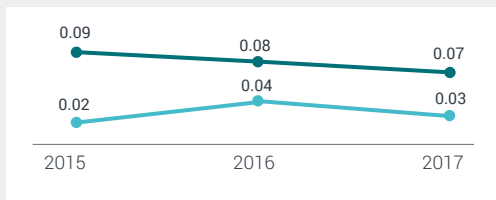
Técnicas Reunidas monitors safety indicators and outcomes both in projects where it acts as lead contractor and in those where it participates as part of a consortium and has responsibility for the management of health and safety.

Based on this monitoring, the Company evaluates the level of achievement of the established objectives and analyses the reasons for any deviations. Técnicas Reunidas also records and reports any near misses. If there are increased rates in the statistics, specific action plans are drawn up.

The outcomes achieved in the field of safety are reported to all the companies involved, and the most significant incidents are also addressed in safety talks (toolbox meetings) given to workers by their managers. Additionally, every incident triggers a specific investigation with the aim of implementing corrective measures to prevent repetition.

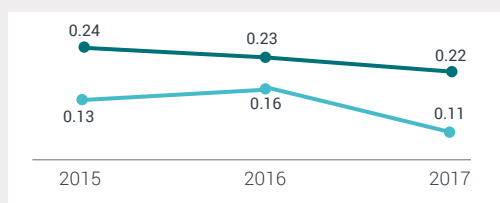
Safety performance and comparison with targets set

(LTIR) Lost time incident rate*



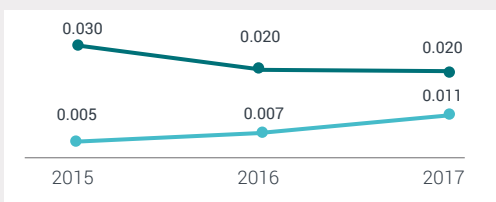
● LTIR target
 ● Lost Time Incident Rate (LTIR) = (No. of incidents involving lost time/No. of hours worked) x 200,000

(TRIR) Total recordable incident rate*



● TRIR target
 ● Total Recordable Incident Rate (TRIR) = (No. of recordable incidents (according to OSHA)/No. of hours worked) x 200,000

(SR) Severity rate



● SR target
 ● Severity Rate (SR) = (No. of days lost through incidents/total No. of hours worked) x 1,000

Safety performance in 2017

During 2017, construction work has involved around 138,000,000 working hours (68% more than in 2016), including hours worked by subcontractors.

This has entailed an extraordinary effort from Técnicas Reunidas in managing a volume of more than 41,000 workers (including Company and subcontractor workers), more than double that of 2015.

At the same time, the lost time incident rate (LTIR) and recordable incident rate (TRIR) have both significantly improved - by 25% and 31% respectively, compared to the previous year - with figures well below the corporate limits set by the Company. The severity rate (SR) has also stayed well below the limit set.

Sadly, however, the year has also seen the deaths of four workers employed by subcontractors on Company projects. Lessons learned as a result of such incidents have been distributed to all parties involved in project and construction activities.

Company managers have emphasised the need to take immediate action in eliminating the identified causes of such accidents, as well as the need to further strengthen the commitment to good HSE performance as a fundamental value within the Company.

* Data for the LTIR and TRIR are rounded up to the second decimal place, in line with the targets set at corporate level.

[403-2]

Consolidated results for safety at Técnicas Reunidas' sites

	2015		2016		2017	
Hours worked	73,239,883		82,261,448		137,902,242	
Number of on-site employees (Técnicas Reunidas and subcontractors)	19,315		24,540		41,893	
Deaths	Actual	Target	Actual	Target	Actual	Target
	0	0	3	0	4*	0
LTIR: lost time incident rate	Actual	Target	Actual	Target	Actual	Target
	0.02	0.09	0.04	0.08	0.03	0.07
TRIR: total recordable incident rate	Actual	Target	Actual	Target	Actual	Target
	0.13	0.24	0.16	0.23	0.11	0.22
SR: severity rate	Actual	Target	Actual	Target	Actual	Target
	0.005	0.030	0.007	0.020	0.011	0.020
Number of incidents recorded	49		64		78	

* Deaths of four subcontractor employees that were working on a Company project.

The lost time incident rate (LTIR) and recordable incident rate (TRIR) have both significantly improved - by 25% and 31% respectively - compared to the previous year.



PARTICIPATION IN FORUMS AND EXTERNAL RECOGNITION IN OCCUPATIONAL HEALTH AND SAFETY

Técnicas Reunidas' commitment and performance with regard to occupational health and safety has earned the recognition of clients.

Throughout 2017, the Company has participated in various sector-specific international forums in the field of occupational health and safety. The Company's Chief Operating Officer and Corporate HSE Director were speakers at the Construction Safety Forum organised by ExxonMobil in Houston (USA), under the banner of 'Humanizing Safety'. The Company also attended the 8th Behavioural Safety Management Forum in Barcelona (Spain).

In this way, the Company ensures that it keeps up-to-date on relevant aspects of safety management and maintains contact with other companies and clients in the sector, to the benefit of all parties involved in good safety performance.

Técnicas Reunidas has also received substantial recognition in this area from its clients, due to the significant number of hours amassed without accidents on projects (see table below).



2017 CONTRACTOR SAFETY FORUM
**humanizing
safety**

2017: Major milestones for Técnicas Reunidas in occupational health and safety



November 2017: 5 million hours with no lost time incidents at the Talara project (Peru).



November 2017: 18 million hours with no lost time incidents at the Jazan IGCC-Unit 5 project (Saudi Arabia).



October 2017: 500,000 hours with no lost time incidents at the Teesside project (United Kingdom).



October 2017: 15 million hours with no lost time incidents at the Fadhili project (Saudi Arabia).



September 2017: 3 million hours with no lost time incidents at the Hail EPS project (United Arab Emirates).



August 2017: 3 million hours with no lost time incidents at the Gas Train project (Abu Dhabi).

6.6 EFFICIENT SUPPLY CHAIN MANAGEMENT

Having a supply chain which is aligned with the Company's standards and values is a key factor in ensuring the success of projects.



KEY INDICATORS

[308-1]; [308-2]

INDICATOR	2017 DATA	2015-2017 PROGRESS
Procurement of materials from suppliers and construction subcontracting (millions of euros)*	4,020	+24.0%
No. of construction subcontractor workers**	55,050	+305.8%
Local procurement and subcontracting (%)*	77%	+21 p.p.
Approved suppliers and subcontractors (number)***	2,370	+57.5%
Suppliers subject to audits or evaluations (%)	61.2%	+ 4.2 p.p.
Average score for supplier performance evaluation (from 0 to 3)	2.18	+3.3%
Efficiency in procurement tasks (hours/order)	364	+6.7%
Hours of training for suppliers	136	****



2017 MILESTONES

- Launch and consolidation of the e-supplier web portal.
- Implementation of the module for bid requests and technical and commercial evaluation in the *e-supplier* tool.
- Completion of development of a mobile phone app for factory floor inspections of materials and equipment.
- Strengthening Técnicas Reunidas' capacities in the monitoring of key performance indicators (KPIs) for the Procurement Unit.
- Set-up and usage of new software applications for the preparation of reports, scorecards, comparisons and analysis of various activities and processes within the Procurement Unit.
- Approval of a specific Code of Conduct for suppliers and subcontractors.
- Start of development of the e-SAM software tool for construction contract management, with the support of Indra.
- Start of construction work on the Ras Tanura and Tierra Mojada projects.



2018 GOALS

- Computerisation of the monitoring of key performance indicators (KPIs) related to procurement activities.
- Publication of the Code of Conduct for suppliers as an annex to the General Purchasing Conditions, which will govern the conditions applicable to contracts awarded between Técnicas Reunidas and its suppliers.
- Consolidation and piloting of the e-SAM software tool for construction contract management.
- Effective and responsible management of the significant volume of construction subcontracting planned for 2018 (more than 154 million hours).
- Start-up of projects including Haradh (Saudi Arabia), Duqm (Oman) and Bapco (Bahrain).

* In 2016, the criteria for reporting the amount of purchases and local construction subcontracts were adjusted. The evolution included in this report incorporates the updated data with the new calculation criterion to allow its comparability and homogeneity. Local purchases and subcontracts include those made by foreign subsidiaries, branches and joint ventures. International purchases and subcontracts include those managed from Spain even though they are awarded internationally.

** Data for TR Industrial. Peak for the year.

*** This progress is calculated based on the data of 2015, which included only the approved suppliers of TR.

**** Data unavailable for 2015.

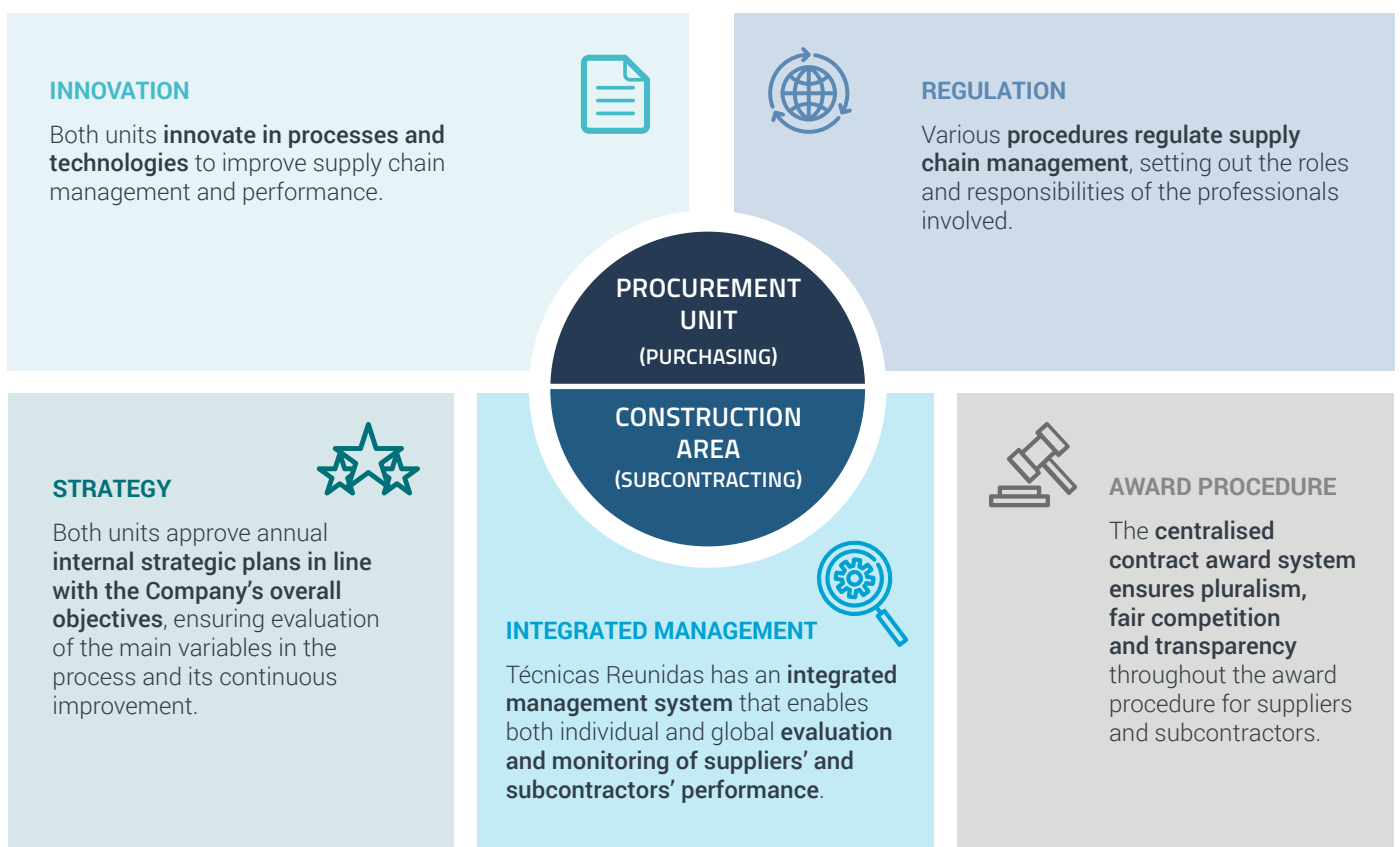
MANAGEMENT APPROACH [103-2]

Técnicas Reunidas' main aim in managing its supply chain is to achieve competitive procurement of materials, equipment and assembly services (subcontracting) in line with the standards of excellence and quality demanded by the sector. The management approach followed by the Company for this purpose is structured around five core concepts (see figure below).

In supply chain management, it is vital to have a global supplier market with up-to-date information which mitigates risk in the

selection of suppliers and subcontractors from the standpoints of finance, performance and quality.

Supply chain management in the sector in which Técnicas Reunidas operates is increasingly complex. To overcome this challenge, the Company has equipped itself with new tools which enable it to analyse and monitor the performance of its suppliers and subcontractors, maximising efficiency, generating new opportunities and implementing careful risk management.



In 2017, the average number of workers on Técnicas Reunidas' projects (primarily from subcontractors) exceeded 44,500 (with a peak number of 55,050). In response to the challenges posed by the management of such a high volume of workers, the Company now has more than 2,700 professionals involved in the economic control and monitoring of subcontractors' work.

2018: a year with significant challenges ahead in supply chain management

In 2018, Técnicas Reunidas will have to manage more than 154 million working hours (equivalent to more than 17,500 years) in their projects around the world. The vast majority of this work will be undertaken by subcontractors.

This workload is 12% higher than in 2017 and double the hours implemented (both by the Company and by its suppliers and subcontractors) in 2015.

The rapid increase in the volume of business on various projects in 2018 will require new resources and a search for new suppliers and subcontractors that can deploy workers in the new countries and areas of work in line with the quality standards required by Técnicas Reunidas.

The Company has the capabilities to respond to this challenge, thanks to the procedures and know-how that it has amassed over its more than 50 years of experience in implementing projects of various types all around the world, sometimes under more adverse conditions.



CENTRALISED PURCHASING MANAGEMENT (PROCUREMENT) [102-9]

Técnicas Reunidas provides a centralised purchasing service for any equipment and materials that are not custom made for each project. Centralised management results in commercial improvements, greater economic efficiency from bulk order negotiations, shorter purchase processes and the possibility of establishing agreements with repeat suppliers.

The engineers in the centralised procurement team are specialists in the products for which they are responsible, as well as the suppliers that they manage, which brings value to the procurement process.

Category Managers, meanwhile, work within the supply management organisation, identifying and managing synergies and coordinating the Company's position with suppliers for the various projects. They also cultivate understanding of the technical and economic levers in each category of materials and constantly seek the most competitive sources.

The specific scope of centralised purchasing is established within the Procurement Strategy set out for each project. Acquisition of the remaining equipment and materials is decentralised and is carried out by the team assigned to the project.

One of the areas in which the Procurement Unit has advanced significantly in 2017 has been improving the monitoring of KPIs (Key Performance Indicators) linked to purchasing management. Técnicas Reunidas has established a monitoring scorecard, comprising a total of 20 primary and 6 secondary indicators (grouped into the unit's three main focal points: quality, time and cost), allowing real-time monitoring of the supply chain while mitigating risks and maximising efficiency.

The combination of centralised and decentralised approaches in purchasing management enables greater optimisation of project costs and deadlines.

CONSTRUCTION SUBCONTRACTING MANAGEMENT [102-9]

The Construction Division responds to the needs that arise during the different phases of EPC¹ (Engineering, Procurement and Construction) projects within the construction area:

- Bidding Phase (Head Office), involving the complete evaluation of construction costs and the technical description of the tender.
- Task Force Phase (Home Office), involving activities including subcontracting, determination of the work flow, and selection and mobilisation of Company personnel. Técnicas Reunidas has a seven-phase subcontractor selection process that enables it to contract the companies that can best adapt to its requirements.
- Construction Phase (Site), involving site management, including the management of subcontracts and the supervision and control of all activities. All of this continues until the handover of the facilities.

All the activities that comprise these three phases are regulated under corporate procedures which are audited throughout the project life cycle and which ensure continued compliance with requirements.

In addition, to strengthen subcontractor management, in recent years it has sometimes been considered necessary to implement micro-management to ensure optimal performance of work. With this aim, Técnicas Reunidas has developed a set of tools that facilitate control and optimisation of both implementation and handover.

These include the *e-SAM* software tool, whose development began in 2017, in partnership with Indra. This tool aims to improve time and cost efficiency in subcontractor management processes, reinforce communication, increase control of processes and strengthen forecasting capacities. Its implementation will improve the Company's competitiveness and strengthen its market position.

Effective subcontractor management under the most challenging conditions

Due to the events that occurred in Turkey during the summer of 2016, the Turkish company that was awarded the main subcontract in the STAR project for SOCAR (in Turkey) abandoned the work. This contract included civil engineering, buildings construction, buried pipelines, mechanical assembly, electricity installation and instrumentation. At that time, the general progress on the works had reached 35%.

With the aim of minimising the impact of this incident on the planning of the project, Técnicas Reunidas immediately assigned all possible means to search for alternatives to ensure the continuity of the project. Thanks to its knowledge of the country (Técnicas Reunidas has implemented other large-scale projects in Turkey in the past), the Company was able to find alternatives in the supply chain in record time.

Drawing on its various tools for monitoring progress and careful control of quantities, Técnicas Reunidas succeeded in reassigning subcontracts in different technical disciplines to 6 subcontractors in a very short space of time.

The client has offered public thanks to the Company for its actions in solving a problem that could have seriously affected the viability of the project and its future profitability.

¹ EPC: Engineering, Procurement and Construction.

TÉCNICAS REUNIDAS' SUPPLY CHAIN IN FIGURES

[102-9]; [204-1]

Técnicas Reunidas maintains a global database comprising 22,868 materials suppliers and construction subcontractors, including 1,958 suppliers and 412 subcontractors that have already been approved by the Company.

Técnicas Reunidas encourages collaboration with local suppliers and subcontractors operating within the geographical areas of its projects, and has a specific procedure that ensures the best handling of these types of requirements. In recent years, the volume of purchasing with these local suppliers and subcontractors has increased significantly, from 56% of total purchasing in 2015 to 77% in 2017.

In its endeavour to promote this kind of purchasing and subcontracting, the Company undertakes an exhaustive analysis of the local market to identify candidate companies (including visits to these companies and a prequalification process). It also provides training and education in order to strengthen their capacities and facilitate their integration into Técnicas Reunidas' projects.

Using local suppliers and subcontractors brings the Company a series of advantages, above all in terms of delivery deadlines and completion of assembly work. It also accelerates the Company's establishment in the country.

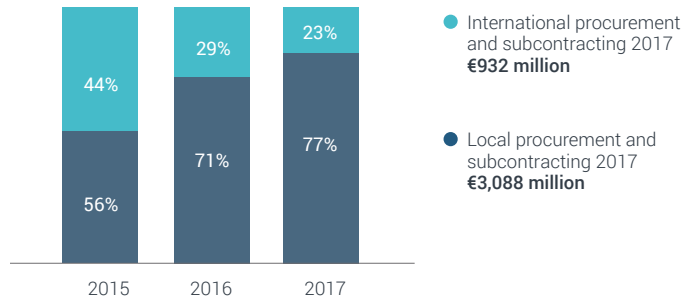
In addition, Técnicas Reunidas' collaboration with local suppliers and subcontractors offers them not only financial benefits, but also the opportunity to work with an international company with extensive experience, which can act as a lever for growth and strengthen their capacities.

In the past year, Técnicas Reunidas has demonstrated its extensive knowledge of its supply chain in the various projects in which it has been involved. In its projects for Bapco (refinery in Bahrain) and Duqm (refinery in Oman), the Company has promoted the incorporation of new suppliers into the list of approved suppliers for each client. In the case of the refinery for SOCAR (Turkey), where the client did not have a list of suppliers, Técnicas Reunidas drew up a specific list of international suppliers able to respond to the client's needs and expectations for this project.

Técnicas Reunidas' supply chain in 2017

	Suppliers of materials (mechanical and fixed equipment, materials for plumbing, electricity, instrumentation, etc.)	Construction subcontractors (civil engineering, electrical installations, instrumentation, insulation, etc.)
No. of approved suppliers and subcontractors	1,958	412
No. of regular and repeat suppliers and subcontractors	482	106
No. of strategic suppliers and subcontractors	30	16

Distribution of purchasing between suppliers of materials and subcontractors by Técnicas Reunidas from 2015 to 2017*



Total purchasing from suppliers of materials and construction subcontractors in 2017: €4,020 million*

* Note: Local purchases and subcontracts include those made by foreign subsidiaries, branches and joint ventures. International purchases and subcontracts include those managed from Spain even though they are awarded internationally.

In the past 3 years, the percentage of purchasing with local subcontractors and suppliers has increased from 56% (in 2015) to 77% (in 2017).

STRENGTHENING THE CAPABILITIES OF LOCAL SUPPLIERS AND SUBCONTRACTORS IN SAUDI ARABIA

In 2017, Técnicas Reunidas held various workshops for some of its suppliers (and their employees) within the framework of the IKTV programme in Saudi Arabia.

This programme enables companies in the supply chain to improve their capabilities so that they can offer higher quality services, strengthening Técnicas Reunidas' commitment to the long-term development of the country.

Through its fluid dialogue with suppliers, reflected in the education and training plans (workshops) both at the Company's offices in Madrid and at its subsidiaries and sites, the Company enhances its informational resources and improves processes, at the same time as increasing suppliers' competitiveness and helping them to initiate new actions and opportunities that allow them to grow in the future.



SUPPLIER AND SUBCONTRACTOR APPROVAL AND SUPPLY CHAIN RISK MANAGEMENT

Técnicas Reunidas imposes a series of requirements on its suppliers and subcontractors through its approval process. This includes specific requirements depending on the type of goods and services contracted. This process is the first step towards eligibility for Company approval for all suppliers and subcontractors.

For suppliers, this process is overseen by the person in charge of approval within the division in the Quality Department which is responsible for coordinating these activities.

Whether or not the supplier is approved, the procurement coordinator may subsequently request additional measures for technically complex orders, as well as those involving a high economic volume or client-specific requirements.

In this last case, the Company's SPMat system enables evaluation of the awarded orders selected by the Approvals Committee. The information obtained during this process is available to be consulted by purchasers and is taken into account in the supplier's purchase recommendation.

Subcontractors undergo a similar approval process and those who do not meet the established requirements are rejected during the bidding phase.

A SUPPLY CHAIN FULLY ALIGNED WITH TÉCNICAS REUNIDAS' DEMANDS AND REQUIREMENTS

It is critical for Técnicas Reunidas to have a supply chain that meets its demands and requirements.

The Company keeps a list of suppliers with whom it has had no positive past experiences (disqualified subcontractors list) in order to ensure that other companies in the Group can avoid working with them and therefore minimise risks in subcontracting.

The main reasons for suppliers' inclusion in this list involve: defects or serious non-compliance in the execution of their work; having claims in arbitration proceedings; and negative financial status (with the consequent risk to the execution of the project).

RISK MANAGEMENT IN THE PURCHASING AND SUBCONTRACTING PROCESS

The Company has an established procedure for identifying the risks associated with the purchasing and subcontracting process.

Additionally, in order to improve safety and reduce risk in the supply chain, Técnicas Reunidas expressly regulates the subcontracting of works and services with critical suppliers through clauses included in the corresponding contracts. This ensures that the goods used and services performed are always controlled.

If significant risks are detected during an award procedure, valid alternatives are sought and the supplier or subcontractor is excluded from the procedure. If there are no alternatives and/or the risk can be kept under control, a series of risk minimisation measures are set out in the requirements for the order, and manufacturing is more closely monitored.

Also incorporated into the award procedure is a detailed analysis of the financial situation of the recommended supplier, aimed at identifying risks and taking any corresponding action. In this detailed analysis, risk is assessed using current and potential award procedures for all ongoing projects as an indicator.

Finally, with regard to subcontracting, Técnicas Reunidas has identified the potential risks that can arise and has designed specific mitigation mechanisms.

These risks include those related to production (which are minimised by means of thorough monitoring of the progress of the work), those of a financial nature (managed through subcontractor evaluation prior to the award of the contract) and those associated with poor quality (controlled by performance monitoring). Risk minimisation is also important in Health, Safety and the Environment (HSE). With suppliers, risks are minimised through the approval process and subsequent HSE inspections in the workplace, while subcontractors undergo a prequalification process prior to the contract award and later, in the construction phase, supervision, inspection and auditing.

The Company also manages potential risks associated with the labour welfare of subcontractors' employees who are working on projects, by participating in the management of workers' encampments (see box).

Labour welfare of workers in the supply chain

In 2017, Técnicas Reunidas has strengthened its inspections of camps for workers employed by subcontractors to ensure that they comply with applicable regulations and project specifications.

In addition, improvements have been made to infrastructure and food quality in the camps for workers under the direct management of the Company.



IMPLEMENTATION OF TÉCNICAS REUNIDAS' CODE OF CONDUCT IN ITS SUPPLY CHAIN ^[103-2]

Managing the supply chain involves seeking reliable partners who, besides offering soundness and value, also share the Company's commitment to sustainability.

During 2017, Técnicas Reunidas has strengthened the management of ethical aspects related to activities in its supply chain. To this end, it has formalised a Code of Conduct for suppliers and subcontractors in line with the Company's Code, which includes the following aspects:

- Focus on integrity in Técnicas Reunidas workers' relationship with stakeholders.
- Importance of suppliers and subcontractors acting responsibly and working efficiently.
- Promotion of equal opportunities and non-discrimination.
- Commitment to upholding human rights.
- Protection of labour rights and the environment.

Técnicas Reunidas requires companies in its supply chain to adhere to the Code of Conduct for Company suppliers and subcontractors by means of their registration with the e-supplier web portal. During the course of 2017, 620 of Técnicas Reunidas' 22,868 suppliers and subcontractors have adhered to the Code, and the aim is to increase this number significantly over the coming years, with its planned incorporation as an annex to the General Purchasing Conditions.

Alongside this, Técnicas Reunidas has a series of specific requirements on environmental and labour matters and the

protection of human rights, including specific requirements in line with standard ISO 14001, compliance with environmental legislation and sustainability reporting (see box below).

Main sustainability requirements in the supply chain

- ▶ Environmental management requirements in accordance with ISO 14001.
- ▶ Capacity to comply with the applicable environmental legislation.
- ▶ Reporting of any environmental incidents/accidents within the past 5 years.
- ▶ Reporting of any fines/penalties for environmental infractions within the last 5 years.
- ▶ Annual reporting on the carbon footprint.
- ▶ Health and safety requirements in accordance with OHSAS 18001.
- ▶ Human rights requirements.

Consolidation of the *e-supplier* web portal for data collection and electronic management of suppliers and subcontractors

In 2017, the *e-supplier* web portal has been consolidated as a key tool in improving supply chain management.

This web portal serves as a platform for unified communication, enabling information exchange with suppliers and subcontractors, and facilitating coverage of certain requirements such as those included in the Code of Conduct.

The web portal provides more effective, transparent and flexible management of the supply chain, enhancing the Company's competitiveness and quality of work while helping to optimise costs and minimise risks in projects.

In 2017, Técnicas Reunidas has contacted a total of 1,857 suppliers and subcontractors through the web portal, requesting updated information in order to incorporate it into the Company's database.



MONITORING OF SUPPLIERS AND SUBCONTRACTORS

To ensure optimum control over the fulfilment of contractual deadlines for projects and other requirements, Técnicas Reunidas is constantly evaluating the performance and capacities of its suppliers and subcontractors.

For each order lodged with suppliers, inspections are conducted in the workshop to check compliance with the established conditions. In 2017, with the support of IBM and Apple, Técnicas Reunidas completed the development of a mobile phone app for use in this type of inspection (see box below).

After delivery of supplies or completion of assembly services, various aspects of the supplier's performance are evaluated. Suppliers are informed of the outcomes of these evaluations, which serve as baselines for identifying measures for improvement.

Safety and environmental performance are two of the aspects included in Técnicas Reunidas' evaluations. Since 2014, the Company has been using a specific checklist for health, safety and environmental conditions in the workshops, which is filled in by the inspectors during their visits.

This inspection applies to suppliers, who are visited by inspectors from the Company. An initial inspection is carried out on each supplier on the first of these visits. Subsequent inspections are carried out to coincide with return visits on a quarterly basis.

In the event that Técnicas Reunidas detects a deviation in health, safety or environmental aspects, this is then analysed in detail. Depending on the type of deviation and its severity, the supplier is required to take corrective and preventive action, and if the deviation is significant, the supplier may be blacklisted for new tenders or contract awards.

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

Evaluation of suppliers in 2017



Técnicas Reunidas performed **847** supplier evaluations and **583** order evaluations, with an average score of **2.18 out of 3**.



93% of strategic suppliers are audited by means of interviews and inspections at their production facilities.



176 health, safety and environment inspections were carried out.

Development completed on a mobile phone app for factory floor inspections of materials and equipment

One of the most important milestones in 2017 has been the completion of development of the *Materials Inspect* mobile phone app, in conjunction with IBM and Apple. The results from the first tests of its implementation have been very positive.

The main goal for 2018 is to use it to manage the inspection of materials and suppliers all around the world, beginning this process with new projects whose implementation starts this year. This app will enable:

- Reduced inspection cycles and increased business efficiency.
- Increased and improved quality control.
- Improved decision-making by means of analytical recommendations from the app.
- Significant cost savings for Técnicas Reunidas.
- Improved health, safety and environmental conditions in suppliers' workshops, while ensuring the health and safety of visiting Técnicas Reunidas personnel and of their workers.



This monitoring involves the performance of audits in order to identify nonconformities and establish corresponding corrective actions. These actions are described in the audit report, with deadlines for their completion.

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

As with suppliers, Técnicas Reunidas' contracts with subcontractors set out the obligation to fulfil health, safety and environmental requirements, involving daily monitoring of these aspects as well as specific audits, with a sizeable group that implements the existing requirements and continuously verifies compliance. Any noncompliance or deviation from project quality requirements is monitored until corrective measures are implemented. In cases of more serious or repeated infringements, the Company may apply economic sanctions or even expel the personnel responsible.

DIALOGUE AND COOPERATION WITH SUPPLIERS AND SUBCONTRACTORS

Técnicas Reunidas has established various mechanisms to strengthen its relationships with its suppliers, especially those of strategic importance. These include the development of framework agreements containing global commercial conditions for different projects and the creation of joint improvement groups.

Among the most important actions carried out is the survey that Técnicas Reunidas sends out to its suppliers in order to determine in which areas of interaction the Company performs better and which have room for improvement. In the last survey of 42 suppliers (10 more than last year), the Company gained a very positive rating, particularly with regard to aspects such as the quality and quantity of the information provided by Técnicas Reunidas and the clarity of dialogue.

Thanks to these groups and the lessons learned from the evaluation processes, the Company and its suppliers are able to define and implement corrective measures that prevent technical and management errors.

Técnicas Reunidas also cooperates with its suppliers and subcontractors through training initiatives. In 2017, over 360 hours of training actions involving Técnicas Reunidas and its suppliers have been carried out by means of seminars and visits to workshops.

A noteworthy example of training provision for suppliers was the completion in 2017 of the training on heat exchangers for TEMA India. Following the success of this project, Técnicas Reunidas carried out similar exercises in Saudi Arabia with a group of inspectors and coordinators to tackle manufacturing of duplex materials equipment in this country, reviewing applicable welding procedures and oversight during the implementation of these procedures in the workshop.

Finally, the Company is working together with its suppliers and subcontractors through other mechanisms, such as the establishment of a plan for annual meetings and meetings with managers at its projects with the aim of performing more detailed monitoring. There is also a small assembly group that is available to work with subcontractors where necessary and to take charge of specific critical work.

ADVANTAGES OF COOPERATION WITH SUPPLIERS AND SUBCONTRACTORS

For Técnicas Reunidas, dialogue and collaboration with suppliers and subcontractors have a direct and positive impact on the Company.

They not only enhance synergies and improve communication but also mean better optimisation of implementation deadlines, enabling the anticipation and management of changes and improved delivery deadlines.

These collaborations have led to a reduction in quality nonconformities and an improvement in performance not only with respect to Técnicas Reunidas but also other clients.

One notable example of this type of collaboration is the participation of companies with extensive technical knowledge in highly specific areas, such as heavy lifting companies, which integrate with Técnicas Reunidas from the bidding phase, providing technical solutions for hoisting of large-scale equipment, transport of modules and general handling of heavy loads, enabling cost optimisation and increased safety in the Company's projects.



Técnicas Reunidas regularly participates in international trade fairs and expos, contributing to the development and consolidation of new suppliers.

Spanish companies' drive towards internationalisation and innovation

Técnicas Reunidas contributes to Spanish suppliers' innovation and internationalisation by:

- Maintaining a high percentage of Spanish providers in its database for consideration in tender procedures, offering them opportunities to participate in international projects.
- Establishing extensive communication with them within the framework of projects, to help them become more competitive.
- Providing advice on their internationalisation and approach to the process of client approval.
- Informing them of opportunities in existing projects, regardless of any Company involvement.



6.7 RELATIONSHIP WITH SOCIETY AND STAKEHOLDERS

Técnicas Reunidas is mindful of the social dimension of its activities along its value chain. The Company promotes dialogue with stakeholders and plans its activities responsibly to manage the impacts that it generates and reinforce its positive contribution to the local environments in which it operates.

KEY INDICATORS

INDICATOR	2017 DATA	2015-2017 PROGRESS
Amount assigned to social action projects (€)	534,264	+5.3%
Partner organisations in the social sphere (number)	34	+36.0%
Positive impact on the local environment from projects in terms of local purchasing and subcontracting (million €)	3,520	+582.2%

2017 MILESTONES

- 77% of purchasing and subcontracting with local firms.
- Reinforced monitoring of projects' social impact.
- Cooperation with 34 organisations in the development of social interest initiatives.
- Increased collaboration with the Princesa de Asturias Foundation.

2018 GOALS

- Drawing up of Guidelines for Stakeholder Relationships.
- Increase in the total amount earmarked for social impact actions.



MANAGEMENT PRINCIPLES

[102-43]; [103-2]

The Company structures its relationships with its stakeholders around three core concepts:

- **Social management of projects** - Técnicas Reunidas identifies and evaluates the potential positive and negative impacts of projects in advance. These impacts are managed by analysing their potential scope and consequences and defining actions that enable the maximisation of positive impacts and the mitigation or elimination of negative impacts.
- **Engagement and dialogue** - Técnicas Reunidas maintains regular dialogue with its stakeholders to understand their priorities and expectations with regard to the Company's activities and to identify issues which might result in better performance in the various projects that it implements.
- **Social action** - The Company promotes various initiatives to strengthen its links both with society in general and with local communities at all levels and to maximise the positive impacts generated.



ENGAGEMENT AND DIALOGUE WITH STAKEHOLDERS

[102-40]; [102-44]

Dialogue with stakeholders offers Técnicas Reunidas an opportunity to plan its activities with greater certainty, manage reputational risks and demonstrate its accessibility.

The Company has established specific channels for communication with its stakeholders. In this way, it can identify the concerns and issues that are of most interest to them in their relationship with the Company.

Stakeholders	Main channels	Frequency of contact	Relevant issues identified in 2017
Employees	<ul style="list-style-type: none"> • Satisfaction surveys. • Training, mentoring and interviews. • Website. • Intranet. • Integrated Report. • Skills and knowledge assessment. 	Continuous	<ul style="list-style-type: none"> • Job satisfaction. • Workload. • Relationship with the Company, superiors and colleagues. • Low employee turnover.
Clients	<ul style="list-style-type: none"> • Regular meetings. • Satisfaction surveys. • Trade fairs, forums and conferences. • Website. • Annual Report. 	Continuous	<ul style="list-style-type: none"> • Negotiation of proposals. • Implementation of awarded projects.

[102-40]; [102-44]

Stakeholders	Main channels	Frequency of contact	Relevant issues identified in 2017
Shareholders	<ul style="list-style-type: none"> • Meetings with investors. • Trade fairs and conferences. • Annual General Meeting. • Investors' Day. • Website. • Visits to facilities. • Integrated Report. • Proxy advisors. 	Periodic	<ul style="list-style-type: none"> • Webcasts and roadshows with investors.
Subcontractors/suppliers	<ul style="list-style-type: none"> • Meetings and calls with contractors and suppliers. • Newsletters. • Website - special suppliers' section. • Integrated Report. • Policy on Quality, Safety, Health and the Environment and the Code of Conduct. • Assistance with financing for suppliers and subcontractors. 	Continuous	<ul style="list-style-type: none"> • Company's performance on projects. • More functions on the Técnicas Reunidas <i>e-supplier</i> web portal for management of suppliers and subcontractors.
Society	<ul style="list-style-type: none"> • Visits to facilities. • Website. • Integrated Report. 	Periodic	<ul style="list-style-type: none"> • Communication of opportunities for collaboration. • Information on the Company's economic performance and its impact on the environment.
Local communities	<ul style="list-style-type: none"> • Visits to facilities. • Meetings with local representatives. • Website. • Integrated Report. 	Depending on the project	<ul style="list-style-type: none"> • Monitoring of impacts from the implementation of projects. • Participation in social action projects in the vicinity of projects. • Contracting of local labour for projects.
Local governments	<ul style="list-style-type: none"> • Meetings with local government representatives. • Involvement in working groups. • Website. • Integrated Report. 	Depending on the needs of each project. Continuous in the case of governments in countries where projects are implemented. Many clients are public administrations.	<ul style="list-style-type: none"> • Dialogue with the relevant local representatives of countries where projects are implemented.
Sectoral associations	<ul style="list-style-type: none"> • Involvement in working groups. • Website. • Trade fairs, forums and conferences. 	On a permanent basis, usually channelled through participation in senior management or boards	<ul style="list-style-type: none"> • Participation and knowledge-sharing in business forums such as AEC (the Spanish Quality Association), the <i>Club de Excelencia en Sostenibilidad</i> and the annual meeting of nitric acid and ammonium nitrate producers and technology developers. • Collaboration with leading organisations in the field of occupational health and safety, such as CCPS (Center for Chemical Process Safety). • Participation in the association <i>Emisores Españoles</i>.

SOCIAL MANAGEMENT OF PROJECTS

[103-2]; [203-1]; [203-2]; [413-1]; [413-2]

Técnicas Reunidas' priorities include identifying and managing the most critical aspects for the local community that might arise from the implementation of its projects.

For this purpose, the Company has established a Social Management Framework (see box below). This enables the planning of specific actions in response to these issues, where coordination with the local environment and different stakeholders (public administrations, partners, suppliers, subcontractors, etc.) is crucial.

Frequently identified issues include the recruitment and training of local workers, the development of infrastructure in the local area, potential environmental effects and cultural needs.

A key element for success in this task is the careful selection of personnel assigned to the implementation of projects - an aspect which the Company takes into account from the worker selection phase and continues with their deployment to the site. There is also a management procedure in place that enables fulfilment of both local contracting needs and overseas deployment within the deadlines for satisfactory and timely implementation of projects.

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

- Employment generation in the local environment (over 44,000 workers involved in projects in 2017).
- Contracting with local suppliers and subcontractors, which in turn reinforces the Company's positive economic contribution to the local environment (€3,088 million in local contracting in 2017).*
- Training for local companies and workforces through courses and workshops organised by the Company.
- Strengthening of the local business network (see box below on IKTVA).
- Creation of key energy infrastructures through Company projects (see box below on SOCAR).

* Local purchases and subcontracts include those made by foreign subsidiaries, branches and joint ventures. International purchases and subcontracts include those managed from Spain even though they are awarded internationally.

Técnicas Reunidas has local representatives in the various areas involved in the implementation of projects, enabling it to undertake any actions needed and establish links with the local community.

Técnicas Reunidas' social management framework for projects

Framework for the social management of the Técnicas Reunidas projects



Evaluation and management of social impact

Specific analysis at the bidding phase of the social impact of each project. Obtaining the social license to operate is the client's responsibility.

Projects supporting the local community

Through its coordination with the local community, Técnicas Reunidas understands its needs and expectations, and can analyse the best ways to organise its support.

Continuous monitoring of the local environment

Técnicas Reunidas continuously monitors the local environment, as well as the performance of third parties involved in the implementation of projects (including suppliers and contractors).

Grievance and reparation mechanisms for social impacts

While the impacts from projects are generally positive, the Company analyses local regulations in order to provide the appropriate grievance and reparation mechanisms for social impacts.

Dialogue with local communities

Ongoing dialogue with representatives of the local community during the implementation of all projects is the responsibility of the project manager.



Highlighted case

The Company's contribution to economic and social development in Saudi Arabia - participation in the IKTVA programme

Técnicas Reunidas' involvement in the IKTVA (In-Kingdom Total Value Add) programme in Saudi Arabia has generated significant benefits within the country which maximise the value created by the Company for local communities and businesses.

- **Improving the educational levels of Saudi professionals.**

Within the IKTVA framework and through the creation of the National Construction Training Center (NCTC) in Nariyah, Técnicas Reunidas is participating in the development and training of university students. This training and specialisation helps make Saudi professionals eligible for quality employment within Técnicas Reunidas' sector.

- **Creating local jobs,** through direct recruitment of Saudi personnel.

- **Boosting the development of local subcontractors and suppliers.**

In addition to awarding a percentage of purchasing and subcontracting on projects implemented in the country to Saudi companies, Técnicas Reunidas boosts the development of these enterprises through training to improve their workers' skills and capabilities.

- **Enhancing the country's global competitiveness,** thanks to a better trained population, and suppliers and subcontractors who gain experience by working and receiving training on important projects alongside major companies such as Técnicas Reunidas. In addition, thanks to the development of local subcontractors and suppliers, the country is able to diversify its economy.

Local development boosted by these actions and the country's associated increased competitiveness also benefit Técnicas Reunidas in the implementation of its projects in Saudi Arabia, since it makes it possible to contract higher-quality services more aligned with the Company's standards and requirements. In this way, delivery times are reduced and risks are minimised during implementation, among other benefits (e.g. improving commitment from suppliers and subcontractors, and greater variety of suppliers).



Highlighted case

Técnicas Reunidas in the STAR refinery project for SOCAR: An outstanding example of collaboration with local communities

One of Técnicas Reunidas' most prominent projects in 2017 has been the construction of the STAR refinery for SOCAR in Aliaga (Turkey). This was a strategic project both for Turkey, as one of the largest projects ever developed in the country, and for the Company, as the largest project it has undertaken in the course of its history in terms of both cost and workload.

The Company has implemented its social management framework throughout the project, in order to build a relationship of trust with local communities and other stakeholders.

Continuous dialogue has been maintained with the local community, local companies and public administrations. An important part of this dialogue involves interviewing these groups throughout the project, in order to hear their concerns and expectations about the project and to provide responses, to the extent possible, during its implementation.

This dialogue has enabled action to be taken on key issues for the community, including classes taught by Técnicas Reunidas professionals inside the refinery to local university students, improvements to local schools and institutes, the installation of waste collection and classification centres and the promotion of a world congress on nitric acid, which will take place in the region with the attendance of specialist scientists and researchers.

Another major concern during this project was the environment, given the important marine biodiversity in the vicinity of the project. For this reason, Técnicas Reunidas has monitored the state of the marine environment in the area around the refinery and, through numerous corrective measures, has ensured that there have been no negative impacts on the environment.

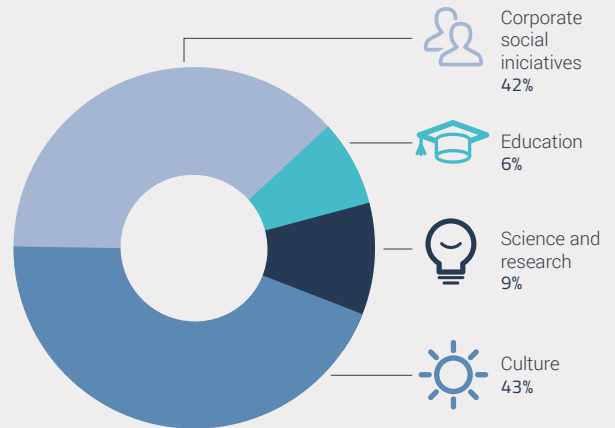
COMMITMENT TO SOCIAL ACTION

Beyond the context of its projects, Técnicas Reunidas maintains four areas of work that demonstrate its commitment to social action, implemented through numerous activities and projects.

In this work, the Company seeks out other organisations that share its objectives and assesses possible collaborations, both economic and through other mechanisms (working groups, participation in forums, etc.).

In 2017, the Company set aside 534,264 euros for projects and organisations in its four areas of social action (culture, corporate social initiatives, science and research, and education).

Economic investment in social action projects by category



Técnicas Reunidas' commitment to social action

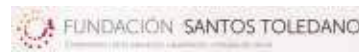


Técnicas Reunidas' main partner organisations [102-13]

Técnicas Reunidas' commitment to social action



Culture



Science, research and education



At the sectoral level, Técnicas Reunidas participates in various associations related to its business activities, with which it collaborates on initiatives related to the promotion of business and entrepreneurial activity. It also collaborates with other organisations promoting companies' transparency and responsibility.

Other organisations in which Técnicas Reunidas participates

Promotion of business and entrepreneurial activity



7

REPORTING PRACTICE FOR THE INTEGRATED REPORT



This is Técnicas Reunidas' third Integrated Report, drawn up according to the recommendations set out in the International Integrated Reporting Framework developed by the International Integrated Reporting Council (IIRC).

This third Integrated Report consolidates Técnicas Reunidas' corporate reporting and provides continuity with the efforts made by the Company in recent years in the field of transparency, as reflected in its sustainability reports published during the past several years (and its first Integrated Report in 2015). Every year, Técnicas Reunidas strives to improve the quality of the information it provides to all its stakeholders.

In this new report, in addition to the <IR> framework, Técnicas Reunidas has again followed the latest version of the Global Reporting Initiative's guidelines, the GRI Sustainability Reporting Standards (GRI Standards). GRI indicators associated with the published contents are identified throughout the report, and the Annex includes a GRI Content Index containing a list of reported indicators and the pages where the relevant information can be found.

MATERIAL TOPICS CONSIDERED IN THE PREPARATION OF THIS REPORT

The <IR> framework and the GRI Standards require the Company to design the contents of its report to take into account topics that materially affect *'the ability of an organization to create value in the short, medium and long term'*.

These matters, termed material topics, are *'those that reflect the organization's significant economic, environmental and social*

impacts; or that substantively influence the assessments and decisions of stakeholders' and therefore the implementation of its strategy.

In order to comply with this criterion in this Integrated Report, it has been necessary to update the materiality analysis carried out last year, as described below.

1. Identification of material topics

- Review of the material topics identified in 2016 and those identified by GRI.
- Analysis of other companies' sustainability reports and integrated reports to assess which topics are considered relevant.
- Evaluation of the topics considered relevant by investors and proxy advisors based on the contents of questionnaires from initiatives such as the Dow Jones Sustainability Index (DJSI) and the Carbon Disclosure Project (CDP).
- Opinion of other stakeholders: analysis of news items in 2017, meetings with managers, evaluation of new legislation, analysis of tender specifications, etc.
- Analysis of the Sustainable Development Goals (SDGs) and identification of the most relevant topics.

2. Prioritisation of relevant topics

- Determination of the priority of each topic identified in the previous stage, based on interviews with Técnicas Reunidas managers.

3. Materiality matrix and content development

- Development of a materiality matrix that prioritises topics according to their relevance to stakeholders and Técnicas Reunidas (see graphic).
- Identification of GRI indicators requiring response and content development in the 2017 Integrated Report.

The materiality matrix reflects material topics with a medium or higher degree of materiality for both the Company and its stakeholders.



The figure below shows the 2017 materiality matrix for Técnicas Reunidas in greater detail.



The following table shows the correspondence between the material topics identified and the term under which they are included within the GRI Standards. (While various material topics have no direct link with GRI indicators, information is nonetheless included on them in the Integrated Report). It

also indicates the impact boundaries (within or outside the organisation) and the corresponding GRI indicators through which Técnicas Reunidas conveys information about its performance and management.



Categories of material topics ^{[102-46]; [102-47]; [103-1]}

AREA	MATERIAL TOPIC FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY STAKEHOLDER GROUP*	GRI TOPICS INCLUDED	ASSOCIATED GRI INDICATORS REPORTED
Economic 	Economic performance	Economic performance	Shareholders	Economic performance	201-1
	Relationship with shareholders and investors	Transparency and dialogue with shareholders and investors	Shareholders	-	-
		Involvement in sustainability initiatives aimed at investors (CDP, DJSI, etc.)		-	-
	Taxation	Fiscal transparency and accountability	Public administrations Society	Economic performance	201-1
Operational/ Business 	Client orientation and reputation	Relationship with clients	Clients	-	-
		Compliance and client satisfaction (quality, operation, efficiency and safety of plants)	Clients	Customer health and safety	416-1
		Development of new business models (e.g. Lump Sum Turnkey)	Clients	-	-
	Diversification of business	Diversification of products and geographical areas	Shareholders	-	-
		Implementation of projects with high added value (FEED)	Shareholders	-	-
	Successful implementation of projects	Striving for quality, efficiency and excellence along the company's entire value chain, from design through procurement and construction to start-up	Clients Society Suppliers	-	-
		Management of risks associated with projects	Clients Society	-	-
	Information security and digitalisation	Use of new technologies in the management of different areas of the company (Human Resources, HSE, Environment, etc.)	Employees	-	-
		Cybersecurity	Clients	-	-
	Innovation	Innovation, R&D&I, proprietary technologies, etc.	Clients Society	-	-

Continue

* All the topics listed are material within the organisation. The column marked with an asterisk indicates other stakeholders that consider each topic material.


[102-46]; [102-47]; [103-1]

AREA	MATERIAL TOPIC FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY STAKEHOLDER GROUP*	GRI TOPICS INCLUDED	ASSOCIATED GRI INDICATORS REPORTED
Integrity 	Ethics and good governance	Good governance	Shareholders Public administrations Clients Suppliers Employees	Governance	Most indicators from 102-18 to 102-39
		Ethical behaviour and integrity		Ethics and integrity	102-16; 102-17
		Anti-corruption		Anti-corruption	205-1; 205-2; 205-3
		Prevention of anti-competitive behaviour		Anti-competitive behaviour	206-1
		Risk management at corporate level		-	-
	Regulatory compliance	Environmental and social regulatory compliance		Environmental compliance	307-1
				Socioeconomic compliance	419-1
				-	-
Social 	Relationship with local communities	Dialogue with local communities, social impact assessment and contribution to communities	Society	Local communities	414-1; 413-2
		Human rights impact assessments for company activities in its different operational locations		Human rights assessment	-
	Local revitalisation	Socio-economic impact on the company's operational locations	Society Suppliers	Indirect economic impacts	203-1; 203-2
		Purchases from local suppliers		Procurement practices	204-1
	Responsibility in the supply chain	Consideration of environmental and social topics in supplier approval and monitoring	Suppliers	Supplier social assessment	414-1; 414-2
				Supplier environmental assessment	308-1; 308-2
				Child labour	408-1
				Forced or compulsory labour	409-1
				Security practices	410-1
				Workers' welfare	Freedom of association and collective bargaining
	Quality employment	Employment generation	Employees	Employment	401-1
		Equal opportunities		Diversity and equal opportunity	405-1
	Talent retention and development	Employee training and professional development	Employees	Training and education	404-1; 404-3
		Measures to encourage talent retention within the company		-	-
		Talent attraction		-	-
Health and safety	Employee health and safety	Employees	Occupational health and safety	403-2	
	Safety and business continuity		-	-	

Continue

* All the topics listed are material within the organisation. The column marked with an asterisk indicates other stakeholders that consider each topic material.

[102-46]; [102-47]; [103-1]

AREA	MATERIAL TOPIC FOR TÉCNICAS REUNIDAS	TOPICS CONSIDERED	IMPACT OUTSIDE THE ORGANISATION BY STAKEHOLDER GROUP*	GRI TOPICS INCLUDED	ASSOCIATED GRI INDICATORS REPORTED
Environment 	Materials consumption	Company's materials consumption	Society	Materials	301-1
	Energy usage	Energy usage in company activities		Energy	302-1; 302-3
	Climate change	Mitigation of greenhouse gas emissions		Emissions	305-1; 305-2; 305-3; 305-4
		Adaptation to climate change		Economic performance - Financial implications and other risks and opportunities due to climate change	
	Waste management	Management of waste generated by the company		Effluents and waste	306-3
	Environmental monitoring of projects	Environmental impact management during the implementation of projects	Society Clients Suppliers	-	-

* All the topics listed are material within the organisation. The column marked with an asterisk indicates other stakeholders that consider each topic material.

EXTERNAL ASSURANCE

Técnicas Reunidas has undergone an external review process on its non-financial information corresponding to the corporate responsibility indicators for the general and specific standard disclosures proposed in the GRI Standards.

To this end, PricewaterhouseCoopers Auditores, S.L. has performed an external verification of the report, in accordance with the International Standard on Assurance Engagements 3000 (ISAE 3000 revised), which is included in the Annex.

CONTACT INFORMATION

[102-53]

Readers of this report can submit questions, queries, requests or suggestions through the following channels:



Website: www.tecnicasreunidas.es

email: tr@tecnicasreunidas.es

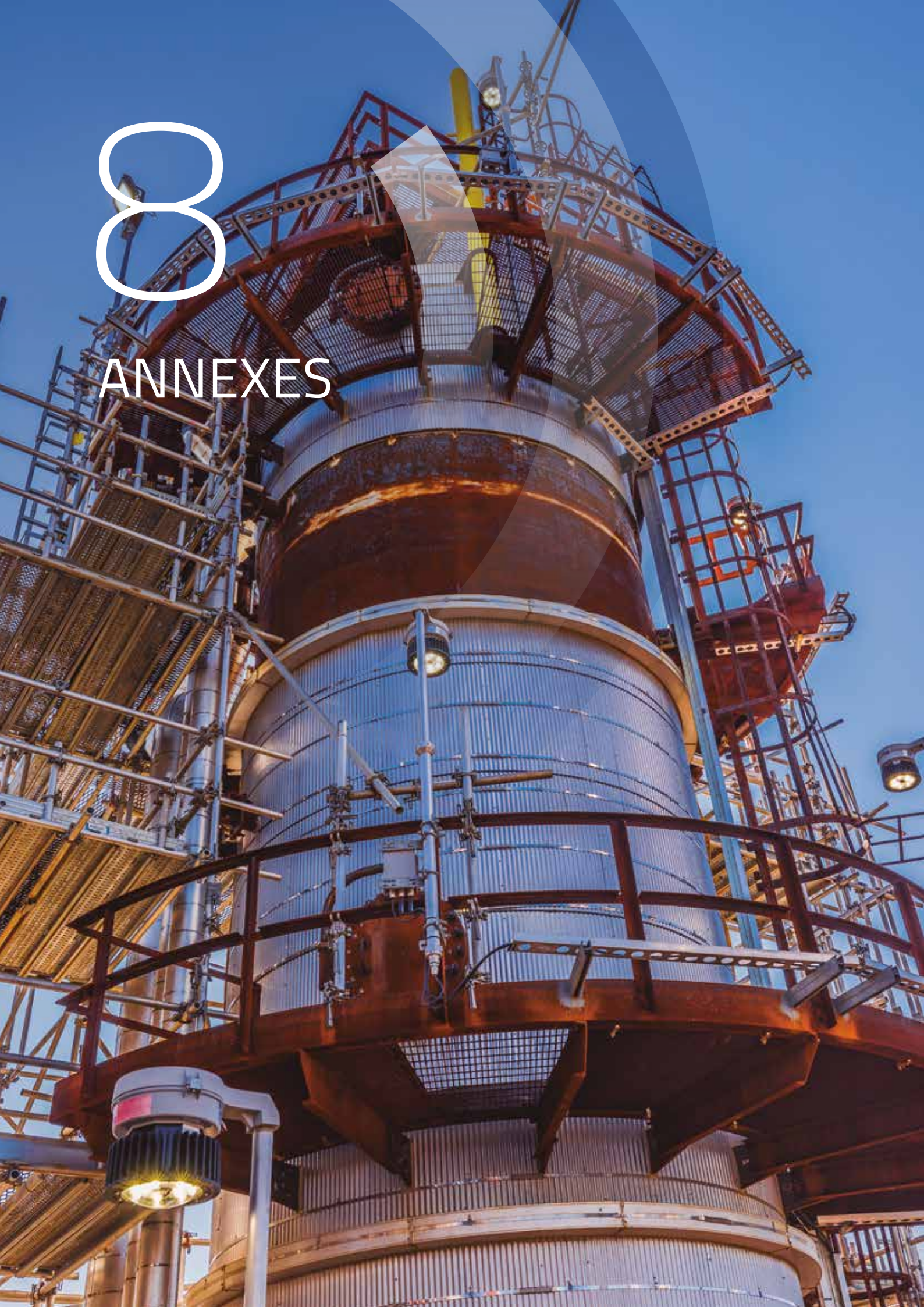


Postal address:

Técnicas Reunidas, S.A.
C/ Arapiles, 14
C. P. 28015 Madrid, España

8

ANNEXES



8.1 GRI content index

[102-55]



GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
GRI 101: FOUNDATION 2016				
GRI 102: GENERAL DISCLOSURES 2016				
Organizational profile				
	102-1 Name of the organization	Técnicas Reunidas S.A.	Group	✓
	102-2 Activities, brands, products, and services	11-13	Group	✓
	102-3 Location of headquarters	C/Arapiles, 14 28015 Madrid, Spain	Group	✓
	102-4 Location of operations	11-13	Group	✓
	102-5 Ownership and legal form	Técnicas Reunidas is a public company listed on the Spanish IBEX-35. Section 5.1 sets out its ownership structure.	Group	✓
	102-6 Markets served	11-13	Group	✓
	102-7 Scale of the organization	11-13 Information on the Company's capitalisation can be found in the following link to the web site of Técnicas Reunidas: http://www.tecnicasreunidas.es/en/shareholders-and-investors-information/stock-information/the-stock/ .	Group	✓
	102-8 Information on employees and other workers	51 Técnicas Reunidas outsources parts of construction projects to specialist subcontractors. Page 77 (health and safety section) provides an indicator of the number of hours worked (137,902,242 in 2017). Number of employees by gender and employment contract: • In 2017, there was a total of 3,898 employees with permanent contracts, of whom 2,485 were men and 1,413 women. • In 2017, there was a total of 950 employees with temporary contracts, of whom 665 were men and 285 women. In 2017, 80% of all existing contracts were permanent. Size of the workforce by gender and region: • In 2017, the workforce hired in Spain amounted to 4,838 employees, of which 1,698 were women (35%) and 3,150 men (65%).	Group	✓
	102-9 Supply chain	88-90	Group	✓
	102-10 Significant changes to the organization and its supply chain	For the significant changes in relation to the organisation's size, structure, share ownership and supply chain, see pages 12 and 13 of the Annual Report on the Consolidated Financial Statements, available at www.tecnicasreunidas.es (http://www.tecnicasreunidas.es/recursos/doc/ingles/shareholders/annual-report/consolidated/consolidated-annual-accounts-2017.pdf) .	Group	✓

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
	102-11 Precautionary principle or approach	Técnicas Reunidas has a risk and opportunities management programme which includes analysing projects for potential environmental impacts from the bidding phase through to completion of the project. This analysis includes identifying measures, encompassing the precautionary principle and/or reduction of undesired effects.	Group	✓
	102-12 External initiatives	Técnicas Reunidas is equipped with various management systems certified by independent third parties. In addition, the Company supports various initiatives in the field of sustainability, including the United Nations Global Compact, with which it has been involved for several years.	Group	✓
	102-13 Membership of associations	103	Group	✓
Strategy				
	102-14 Statement from senior decision-maker	6-7	Group	✓
	102-15 Key impacts, risks, and opportunities	38	Group	✓
Ethics and Integrity				
	102-16 Values, principles, standards, and norms of behaviour	33	Group	✓
	102-17 Mechanisms for advice and concerns about ethics	29, 33	Group	✓
Governance				
	102-18 Governance structure	29	Group	✓
	102-19 Delegating authority	The Board of Directors has Delegated Committees that monitor certain key matters for the Company and its shareholders across all of the Company's areas, including ethical, social and environmental aspects. These Delegated Committees convey their guidelines to Company executives through specific channels, and also conduct performance evaluations.	Group	✓
	102-20 Executive-level responsibility for economic, environmental, and social topics	At their meetings, the Board and its Delegated Committees analyse the achievement of the objectives set out in the various areas of the organisation's management.	Group	✓
	102-21 Consulting stakeholders on economic, environmental, and social topics	The governing body is informed of all relevant issues on economic, environmental and social matters that have arisen during the Company's dialogue with its stakeholders.	Group	✓
	102-22 Composition of the highest governance body and its committees	29	Group	✓
	102-23 Chair of the highest governance body	29	Group	✓

Continue

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
	102-24 Nominating and selecting the highest governance body	29 Técnicas Reunidas also complies with 81.48% of the recommendations of the Good Governance Code for Listed Companies issued in 2015 by the National Securities Market Commission (either totally or partially, and excluding those which are not applicable).	Group	✓
	102-25 Conflicts of interest	The Regulations of the Board of Directors and the Internal Code of Conduct govern the mechanisms established for detecting and regulating potential conflicts of interest. The body that settles directors' conflicts of interest is the Audit Committee. For more information, see Section D6 of the Annual Corporate Governance Report, available on the Técnicas Reunidas website at the following link: http://www.tecnicasreunidas.es/recursos/noticias/igc-2017-en.pdf .	Group	✓
	102-26 Role of highest governance body in setting purpose, values, and strategy	29 The Company's senior management is actively involved in reviewing the values, strategies, policies and objectives relating to economic, environmental and social impacts. These are then finally approved by the entity's corporate governing bodies, each within its specific sphere of competence.	Group	✓
	102-27 Collective knowledge of highest governance body	The highest governing body receives regular communications on the main economic, environmental and social topics that may affect the Company and its stakeholders.	Group	✓
	102-28 Evaluating the highest governance body's performance	29	Group	✓
	102-29 Identifying and managing economic, environmental, and social impacts	29	Group	✓
	102-30 Effectiveness of risk management processes	29	Group	✓
	102-31 Review of economic, environmental, and social topics	Técnicas Reunidas' governing bodies analyse the economic, environmental and social risks and opportunities within the entity's general process of risk assessment.	Group	✓
	102-32 Highest governance body's role in sustainability reporting	The Técnicas Reunidas governing body responsible for reviewing and approving this Integrated Report is the Board of Directors.	Group	✓
	102-33 Communicating critical concerns	29 The Audit and Control Committee is responsible for reporting to the Board any critical concerns in economic, environmental and social matters.	Group	✓
	102-34 Nature and total number of critical concerns	Concerns reported to Técnicas Reunidas' highest governing body in the area of compliance and risks in CSR have consisted, essentially, in the specialised or individual handling of specific areas or activities.	Group	✓
	102-35 Remuneration policies	31	Group	✓
	102-36 Process for determining remuneration	31	Group	✓
	102-37 Stakeholders' involvement in remuneration	The Directors' Remuneration Policy for the three-year period 2016-2018 (still in effect) was approved at the Annual General Meeting of Shareholders in 2016 with 0.099% of votes against, the lowest percentage for Ibex-35 companies in this area in 2016.	Group	✓

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
Stakeholder engagement				
	102-40 List of stakeholder groups	98-99	Group	✓
	102-41 Collective bargaining agreements	100% of employees in the workforce hired in Spain (with the exception of senior management) are covered by the collective agreement.	Group	✓
	102-42 Identifying and selecting stakeholders	The selection criteria for stakeholders is based on their relevance to the Company and its activities.	Group	✓
	102-43 Approach to stakeholder engagement	98 Técnicas Reunidas' frequency of engagement with its main stakeholders is dependent on business needs. In some cases, regular processes are established, as indicated in chapter 6.7 Relationship with society and stakeholders, on pages 98 and 99. With regard to the preparation of the report, Técnicas Reunidas has taken into account the main expectations voiced by these stakeholders. To this end, it has requested information and opinions from Company managers, with whom it has worked to define the contents of the report.	Group	✓
	102-44 Key topics and concerns raised	98-99 The contents of the report respond to the main expectations expressed by stakeholders.	Group	✓
Reporting practice				
	102-45 Entities included in the consolidated financial statements	Financial data corresponds to the Técnicas Reunidas Group. For more information, see the Annual Reports available at www.tecnicasreunidas.es .	Group	✓
	102-46 Defining report content and topic boundaries	107-109	Group	✓
	102-47 List of material topics	107-109	Group	✓
	102-48 Restatements of information	This report contains no restatements of information given in previous years.	Group	✓
	102-49 Changes in reporting	This Integrated Report includes no significant changes in relation to the boundaries for the material topics identified with respect to previous years' reports.	Group	✓
	102-50 Reporting period	The information in the report corresponds to the period 2015-2017.	Group	✓
	102-51 Date of most recent report	The most recent report was issued in 2017 to cover 2016.	Group	✓
	102-52 Reporting cycle	Técnicas Reunidas prepares its reports annually.	Group	✓
	102-53 Contact point for questions regarding the report	109	Group	✓
	102-54 Claims of reporting in accordance with the GRI Standards	This report has been issued in accordance with the GRI Standards: Essential option.	Group	✓
	102-55 GRI content index	111	Group	✓
	102-56 External assurance	124	Group	✓

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
TOPIC-SPECIFIC CONTENT				
Economic performance				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	43	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out at least once a year an assessment and review of the management approach for each material topic.	Group	✓
GRI 201: Economic Performance 2016	201-1 Direct economic value generated and distributed	47	Group	✓
Indirect economic impacts				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	98	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 203: Indirect Economic Impacts 2016	203-1 Infrastructure investments and services supported	100	Group	✓
	203-2 Significant indirect economic impacts	100	Group	✓
Procurement practices				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	87, 100	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	90	Group	✓
Anti-corruption				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	33	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓

Continue

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	27 100% of the operations performed by Técnicas Reunidas during the year 2017 have followed the ordinary process of decision making and risk control, which includes the evaluation of, among others, risks related to corruption.	Group	✓
	205-2 Communication and training about anti-corruption policies and procedures	Training has been provided in the fight against corruption to employees in person, through the course "Model of criminal prevention in TR" which has attended a total of 98 managers and members of the organization with decision-making capacity and management of work teams. Likewise, online training has also continued to its employees through the Code of Conduct, directed from its first edition to all employees of the Company. The percentage of staff trained in anti-corruption issues is not published for reasons of confidentiality.	Group	✓
	205-3 Confirmed incidents of corruption and actions taken	In 2017, Técnicas Reunidas has not had knowledge of confirmed incidents of corruption.	Group	✓
Unfair competition				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	33	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 206: Anti-competitive Behavior 2016	206-1 Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	In 2017, the Company has not received any claims, fines, penalties or significant complaints with regard to competitive behaviour and monopoly practices and anti-trust.	Group	✓
Materials				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	74	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 301: Materials 2016	301-1 Materials used by weight or volume	75	Group	✓
Energy				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	74	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓

Continue

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
GRI 302: Energy 2016	302-1 Energy consumption within the organization	74	Group	✓
	302-3 Energy intensity	74	Group	✓
Emissions				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	74	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	74	Group	✓
	305-2 Energy indirect (Scope 2) GHG emissions	74	Group	✓
	305-3 Other indirect (Scope 3) GHG emissions	74	Group	✓
	305-4 GHG emissions intensity	74	Group	✓
Effluents and waste				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	74	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 306: Effluents and Waste 2016	306-2 Waste by type and disposal method	75	Group	✓
	306-3 Significant spills	<p>A total of 13 spills occurred in 2017. Of these 13, 9 were considered significant, representing a total volume of 3.972 m³.</p> <p>Note: All spills occurred during the construction phase at the facilities of projects managed by Técnicas Reunidas. In all cases, Técnicas Reunidas has taken the necessary measures to ensure containment and clean-up of the spills.</p> <p>Definition of significant spills: those with a surface area of over 4 m² or with a volume of over 0.02 m³.</p>	Group	✓

Continue

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
Environmental compliance				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	33	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 307: Environmental Compliance 2016	307-1 Non-compliance with environmental laws and regulations	No environmental sanctions have been imposed on Técnicas Reunidas, either with regard to its facilities or to the work it has carried out over the last five years.	Group	✓
Supplier environmental assessment				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	87	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 308: Supplier Environmental Assessment 2016	308-1 New suppliers that were screened using environmental criteria	86 Number of new suppliers screened using environmental criteria: 107 (10.1% of the total). Total number of new suppliers: 1,055.	Group	✓
	308-2 Negative environmental impacts in the supply chain and actions taken	86 No environmental sanctions have been imposed on Técnicas Reunidas, either with regard to its facilities or to the work it has carried out over the last five years. Number of suppliers screened using environmental criteria: 665. Number of suppliers identified as posing a risk of significant environmental impact: 0.	Group	✓
Employment				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	51	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓

Continue

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	<p>Incorporations into the workforce in 2017: The hiring rate in 2017 was 2% from workforce hired in Spain, with a total of 97 new employees in 2017, of which were 82 men and 15 women.</p> <p>The distribution by age groups of new employees in 2017 was:</p> <ul style="list-style-type: none"> • <30 years of age - 14 employees. • 30-50 years of age - 70 employees. • >50 years of age - 13 employees. <p>Note: This information refers to the new incorporations (reincorporation or additions of temporary staff already registered in the database of Técnicas Reunidas) are not considered. The total number of incorporations considering reincorporation is 125.</p> <p>2017 employee turnover: The employee turnover rate in 2017 was 11.9% of the workforce hired in Spain, with a total of 568 departures, of whom 423 were men and 145 women.</p> <p>The distribution by age groups of the departures in 2017 was:</p> <ul style="list-style-type: none"> • <30 years of age - 58 employees. • 30-50 years of age - 364 employees. • >50 years of age - 146 employees. <p>All the data published in this indicator refer to the workforce hired in Spain (excluding Heymo): 4,778 employees.</p>	Group	✓
Occupational health and safety				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	78	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 403: Occupational Health and Safety 2016	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	<p>84</p> <p>The absentee rate for total workforce hired in Spain in 2017 was 4.14.</p> <p>The absentee rate for the total number of women in the workforce hired in Spain in 2017 was 6.99, while for men the rate was 2.7.</p> <p>The absentee rate is calculated according to: total hours of absence (leave + illness + maternity/ paternity leave) x 100/possible total hours.</p> <p>The 41,893 on-site workers during 2017 accumulated a total of 1,551 lost days for reasons of injury, representing a ratio of 0.04 days per on-site worker.</p> <p>Note: The number of on-site workers has been calculated on the work hours of each of the projects executed by TR.</p>	Group	✓
Training and education				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	51	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	55 Training ratios: Directors and senior managers: Men: 4.4; women: 47.0; total: 10.5. Executives and middle managers: Men: 20.8; women: 23.5; total: 21.3. Commercial: Men: 21.0; women: 35.3; total: 26.1. Officers: Men: 7.2; women: 0.0; total: 6.9. Graduates / Technical / Administrative: Men: 17.1; women: 23.5; total: 19.4.	Group	✓
	404-3 Percentage of employees receiving regular performance and career development reviews	50 Employees evaluated: Executives and middle managers: Men: 58%; women: 59%; total: 58%. Commercial: Men: 48%; women: 40%; total: 45%. Officers: Men: 17%; women: 0%; total: 17%. Graduates / Technical / Administrative: Men: 84%; women: 83%; total: 84%.	Group	✓
Diversity and equal opportunities				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109		✓
	103-2 The management approach and its components	51		✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.		✓
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	29, 53 The distribution of the staff by age and professional category is as follows (data as of December 31 corresponding to workforce hired in Spain): Directors and senior managers: <30 years: 0.00%; 30-50 years: 0.04%; > 50 years: 0.25%. Executives and middle managers: <30 years: 0.00%; 30-50 years: 2.66%; > 50 years: 2.32%. Graduates, technicians and administrators: <30 years: 8.14%; 30-50 years: 68.86%; > 50 years: 16.22%. Officers: <30 years: 0.02%; 30-50 years: 0.31%; > 50 years: 0.29%. Merchants: <30 years: 0.13%; 30-50 years: 0.5%; > 50 years: 0.25%. The published information refers to the workforce hired in Spain (excluding Heymo).		✓

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
Freedom of association and collective bargaining				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	93	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	<p>Técnicas Reunidas provides the necessary means in the countries in which it operates so that employees and suppliers may exercise their rights to freedom of association and affiliation.</p> <p>In the event that a significant risk is identified of the supplier or the order failing to respect the minimum standards requested by the Company in this area, the supplier is excluded from the award procedure.</p>	Group	✓
Child labour				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	93	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 408: Child Labor 2016	408-1 Operations and suppliers at significant risk for incidents of child labor	<p>Técnicas Reunidas ensures that its activities in the countries where it operates comply with the requirements of local legislation in this area, as well as respecting other commitments signed by the Company, such as the principles of the Global Compact.</p> <p>In the event that a significant risk is identified of the supplier or the order failing to respect the minimum standards requested by the Company in this area, the supplier is excluded from the award procedure.</p>	Group	✓
Forced or compulsory labour				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	<p>Técnicas Reunidas ensures that its activities in the countries where it operates comply with the requirements of local legislation in this area, as well as respecting other commitments signed by the Company, such as the principles of the Global Compact.</p> <p>In the event that a significant risk is identified that the supplier or the order may fail to respect the minimum standards requested by the Company in this area, the supplier is excluded from the award procedure.</p>	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
GRI 409: Forced or Compulsory Labor 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	Técnicas Reunidas ensures that its activities in the countries where it operates comply with the requirements of local legislation in this area, as well as respecting other commitments signed by the Company, such as the principles of the Global Compact. In the event that a significant risk is identified that the supplier or the order may fail to respect the minimum standards requested by the Company in this area, the supplier is excluded from the award procedure.	Group	✓
Security practices				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	The approval procedure for suppliers ensures that they operate in accordance with the legal frameworks in force and meet specific requirements in the area of human rights, appropriate to their activities and level of risk.	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 410: Security Practices 2016	410-1 Security personnel trained in human rights policies or procedures	Técnicas Reunidas ensures that all security personnel have adequate training and knowledge appropriate to the environment in which the Company is carrying out its activities.		✓
Local communities				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	98, 100	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programs	100 All Técnicas Reunidas' centres of operations are subject to an environmental impact assessment (EIA).	Group	✓
	413-2 Operations with significant actual and potential negative impacts on local communities	100 During 2017, no significant actual or potential negative impacts on local communities have been identified as a result of Técnicas Reunidas' implementation of projects or operations.	Group	✓
Supplier social assessment				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	93	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓

GRI STANDARD	DISCLOSURE	PAGE NUMBERS/REFERENCE/OMISSIONS	BOUNDARY	REVIEW
GRI 414: Supplier Social Assessment 2016	414-1 New suppliers that were screened using social criteria	Number of new suppliers screened using social criteria: 107 (10.1% of the total). Total number of new suppliers: 1,055.	Group	✓
	414-2 Negative social impacts in the supply chain and actions taken	No significant actual or potential negative environmental or social impacts were identified in the supply chain during 2017. By means of its approval process and assessments of suppliers, Técnicas Reunidas ensures that negative impacts of this type do not occur. Nº of suppliers analyzed according to social criteria: 665. Number of suppliers identified as posing a risk of significant social impact: 0.	Group	✓
Customer health and safety				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	78	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 416: Customer Health and Safety 2016	416-1 Assessment of the health and safety impacts of product and service categories	Técnicas Reunidas assesses 100% of its projects from the standpoint of health and safety. The Company ensures that, right until the moment of delivery, its projects satisfy both its own specific health and safety standards and the client's requirements and the applicable legislation in this area.	Group	✓
Socioeconomic compliance				
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundary	107-109	Group	✓
	103-2 The management approach and its components	33	Group	✓
	103-3 Evaluation of the management approach	At least once a year, Técnicas Reunidas carries out an assessment and review of the management approach for each material topic.	Group	✓
GRI 419: Socioeconomic Compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	In 2017, the Company has not received any claims, fines, penalties or significant complaints with regard to non-compliance with laws and regulations in the social and economic area.	Group	✓

8.2 PwC review report ^[102-56]



Free translation from the original in Spanish. In the event of a discrepancy, the Spanish language version prevails.

INDEPENDENT LIMITED ASSURANCE REPORT ON THE CORPORATE SOCIAL RESPONSIBILITY INDICATORS

To the Management of Técnicas Reunidas S.A.:

We have carried out our work to provide limited assurance on the Corporate Social Responsibility indicators contained in 'Annex 8.1–GRI Content Index' of the Integrated Report 2017 (hereinafter 'CSR Indicators') of Técnicas Reunidas S.A. and its subsidiary companies (hereinafter 'Técnicas Reunidas') for the year ended 31 December 2017, prepared in accordance with the content proposed in the GRI Standards of Global Reporting Initiative (GRI) (hereinafter GRI Standards).

Responsibility of the Management

The Management of Técnicas Reunidas is responsible for the preparation, content and presentation of the Integrated Report of Técnicas Reunidas in accordance with the Core option of the GRI Standards. Management's responsibility includes establishing, implementing and maintaining the internal control required to ensure that the CSR indicators are free from any material misstatement due to fraud or error.

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

Our responsibility

Our responsibility is to issue a limited assurance report based on the procedures that we have carried out and the evidence obtained. Our limited assurance engagement was done in accordance with the International Standard on Assurance Engagements 3000 (Reviewed) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC).

The scope of a limited assurance engagement is substantially less extensive than the scope of a reasonable assurance engagement and thus, less security is provided.

The procedures that we have carried out are based on our professional judgment and have included consultations, observation of processes, document inspection, analytical procedures and random sampling tests. The general procedures employed are described below:

- Meetings with Técnicas Reunidas' personnel from various departments who have been involved in the preparation of the Integrated Report 2017 of Técnicas Reunidas.
- Analysis of the procedures used for obtaining and validating the data presented in the CSR indicators.

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- Analysis of the Técnicas Reunidas' CSR indicators adaptation to the requirements established by the GRI Standards for the elaboration of sustainability reports.
- Verification, through random sampling tests revisions, internal control tests and substantive tests on the quantitative and qualitative information used to determine Técnicas Reunidas' CSR indicators. We have also verified whether they have been appropriately compiled from the data provided by Técnicas Reunidas' sources of information.

Our Independence and Quality Control

We have fulfilled our work in accordance with the independence requirements and other ethical requirements of the Code of Ethics for Professional Accountants of the International Ethics Standards Board for Accountants (IESBA), which are based on basic principles of integrity, objectivity, professional competence and diligence, confidentiality and professional conduct.

Our firm applies the International Standard on Quality Control 1 (ISQC 1) and thus employs an exhaustive quality control system which includes documented policies and procedures on the compliance of ethical requirements, professional standards, statutory laws and applicable regulations.

Limited assurance conclusion

As a result of the procedures carried out and the evidence obtained, no matters have come to our attention which may lead us to believe that Técnicas Reunidas' CSR indicators, for the financial year ending 31st December 2017, contain significant errors or have not been prepared, in all of their significant matters, in accordance with the GRI.

Use and Distribution

Our report is only issued to the Management of Técnicas Reunidas, in accordance with the terms and conditions of our engagement letter. We do not assume any liability to third parties other than Técnicas Reunidas' Management.

PricewaterhouseCoopers Auditores S.L.

A handwritten signature in blue ink, appearing to read 'Mª Luz Castilla', with a long horizontal line extending from the end of the signature.

Mª Luz Castilla
25 June 2018



TECNICAS REUNIDAS

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