Energy Transition Financing Framework

Técnicas Reunidas

June 2021

Content

1. About Técnicas Reunidas

1.1. Our business

Técnicas Reunidas is an engineering and construction company which designs and builds facilities for enabling a sustainable growth and decarbonization.

The plants that we engineer and build produce clean fuels and petrochemical products. Our projects also include plants for the production and processing of natural gas.

Técnicas Reunidas has a strong activity in energy transition technologies, a business line that is growing at a high pace. Among these new low carbon technologies, we design and build plants that produce low carbon hydrogen (blue and green), facilities that capture carbon emissions for its later storage, plants that use bio energies to produce bio fuels and to generate power and projects related to circular economy.

1.2. Our commitments

Técnicas Reunidas performs its business with two main global commitments: the enablement of a sustainable growth and the development of technologies and energy sources to achieve a low carbon energy supply.

Enabling a sustainable growth is a key reference for our business. By the delivery of our services to build the facilities of our clients, we are helping to reach the **United Nations Sustainable Development Goals (SDGs)** that are closely linked to the production of clean and affordable energy that minimizes the impact on health and the SDGs that promote zero hunger, access to drinkable water, a better health system and sustainable urbanization.

Regarding climate change, we are fully committed to achieving the goals of the 2ºC scenario of the **Paris Agreement**. We want to play a relevant role in the global effort towards a low carbon energy supply by working closely with our stakeholders in implementing solutions and technologies that contribute to the 2ºC scenario.

1.3. Our strategy

We develop our strategy through four main business lines:

- Services for the production of **clean fuels** that have a positive impact in the health of the communities. These services are mainly delivered in non-OECD countries.
- Services for the production of **petrochemical** products, which are key for water distribution, the food industry, to improve efficiency of buildings and transport and support health advances.
- Services for the whole **natural gas** value chain, a key transition fuel for achieving a net zero-carbon energy supply. These services are mainly delivered in non-OECD countries.
- Services for the development of **low carbon energy technologies**, such as hydrogen, carbon capture and sequestration, bio energies and circular economy.

Enabling a sustainable growth

We enable a sustainable growth with two business lines: the design and build of plants to produce clean fuels and the same services for the petrochemical industry.

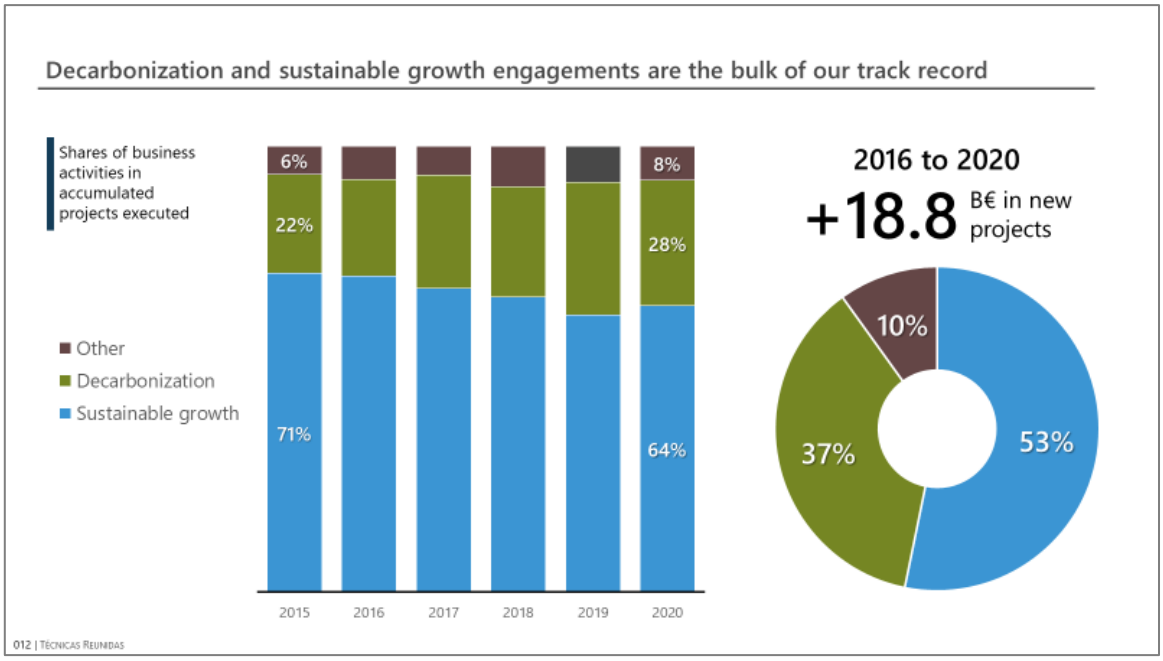
Regarding clean fuels, two SDGs are directly related to our activities: achieving universal energy access (SDG 7) and reducing the impacts of air pollution (SDG 3.9). We deliver services and build facilities that provide transport fuels that fulfil the most stringent environmental standards, i.e. clean fuels. The plants that we build for our clients produce affordable fuels that minimize the emissions of air pollutants, with the subsequent positive impact in the health of the communities that they serve.

Petrochemicals are also key for achieving zero hunger (SDG 2), good health and well-being (SDG 3), clean water and sanitation (SDG 6) and developing sustainable cities and communities (SDG 11). We design and build efficient petrochemicals plants that manufacture the olefins and aromatics as building blocks of products that facilitate clean water distribution, extend the life of food and beverages, improve the energy efficiency of buildings, lighten the weight of all means of transport and allow relevant health advances.

We do this by applying the procedures and methodologies that gather best practices and consider the best available technologies. We design and build the plants of their clients with the aim of maximizing resource efficiency.

Exhibit 1 shows the share of sustainable growth projects in our accumulated backlog in the past years.

Exhibit 1. Split of recent track record in sustainability and decarbonization business lines



Committed with the decarbonization of the energy supply

We are actively involved in the fight against climate change. We subscribe the goals of decarbonization of the Paris Agreement and we are committed to play a relevant role in this global effort towards a low-carbon energy supply by supporting our clients with solutions and technologies that contribute to the 2°C scenario.

We facilitate decarbonization through tow business lines: the design and build of plants for the natural gas value chain and for low carbon energy technologies.

For this purpose, we have demonstrated skills in the delivery of natural gas, which we consider a key transition fuel for achieving a net zero-carbon energy supply by mid-century. Our natural gas projects apply designs with the most stringent standards and technologies to reduce methane emissions.

Due to the demand of the industry, of our clients, we are strengthening our offer in the delivery of services for green and blue hydrogen, carbon capture and storage, bio energies and projects that apply circular economy principles.

The investments that will be needed for achieving the decarbonization goal will demand demonstrated technological capabilities, proven execution skills in difficult environments and ability to manage a value chain of aligned suppliers and stakeholders, of providers of equipment and bulk materials and of sustainable financing.

We, as a first-class engineering and construction company, have demanding design standards and procedures, a critical feature for achieving the decarbonization objective.

Exhibit 1 shows the share of decarbonization projects in our accumulated backlog in the past years.

1.4. Our business metrics

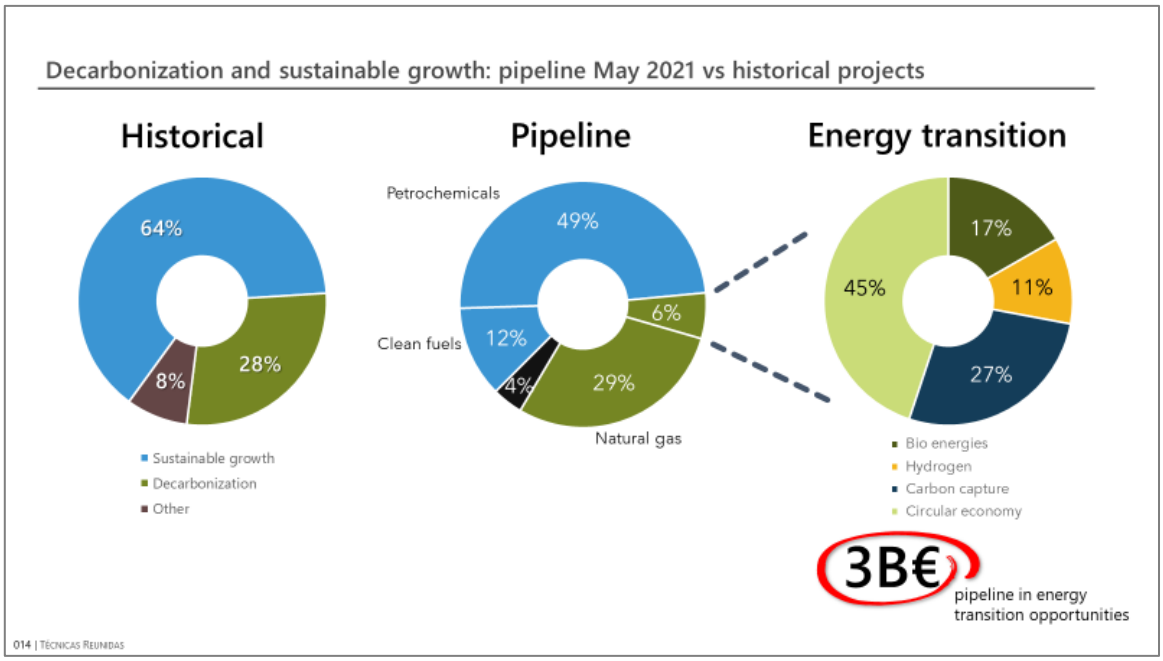
We measure our performance related to the energy transition with two key indicators:

- The yearly revenue mix of sustainable growth and decarbonization activities.

  Our business is currently evolving towards an increasing share of decarbonization projects. Exhibit 1 shows the evolution of our recent track record, as a result of our increasing activity in natural gas projects.

- A long term decarbonization target.

Exhibit 2. Comparison of pipeline and recent track record



Share of sustainable growth and decarbonization in revenues

As of December 2020, the revenue mix was 47% of sustainable growth, 38% of decarbonization (1% of pure energy transition projects) and the remaining 15% to other primary energies.

We are pursuing a higher activity in our decarbonization business lines: natural gas and energy transition technologies.

Exhibit 2 compares our recent track record to the immediate pipeline that we are seeing in opportunities to be awarded in the next two years. Of this pipeline, we are seeing a representative figure of 3 billion euros in pure energy transition projects.

Therefore, we expect the following revenue mix by 2025: sustainable growth 50%, decarbonization 45% (5% of pure energy transition projects), other primary energies, 5%.

Decarbonization targets

Técnicas Reunidas currently has the objective of reducing scope 1 and 2 emissions by 12% in 2030, compared to the base year 2017. The company is in the process of launching a Sustainability Policy Development Plan (see appendix 1) that would include a commitment to comply with a corporate decarbonization KPI target of net zero emissions (scopes 1, 2 and 3) by 2040, with an interim target of 30% by 2030 from base year 2019.

The final new goal will be monitored and approved by an independent third party, such as the Science Based Targets Initiative (SBTi), the reference entity in this matter. The decarbonization KPI will be progressively reported in accordance with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD).

The decarbonization KPI evolution will be published yearly in the Integrated Report, which information has been verified for several years by a renowned independent third party.

On top of the corporate decarbonization targets, we use additional KPIs to measure our effort in decarbonization in every single project and at a project portfolio level. Please, see box 1 for additional information about our KPI indicators at a project and project portfolio level.

Box 1. Técnicas Reunidas KPI

We use Key Performance Indicators (KPIs) to monitor our effort in decarbonization at the level of a single project and at the project portfolio level. Our KPIs are deployed over the key phases of our projects:

- Engineering: mainly relating to office work (building use, electricity consumption, etc.)
- Procurement: linked to supplier performance.
- Construction: based on activities on the construction site itself, including those from sub-contractors on the project (equipment installation and integration, on-site utilities consumption, vehicle fuel, etc.)
- Operation: performance of the asset once it has been started up.

In all phases, the most important KPI to consider with regards to TR decarbonization efforts will be greenhouse gas (GHG) emissions intensity.

The engineering, procurement, and construction phase KPIs are focused on activities directly executed by TR or by sub-contractors. These will be developed based on existing reporting mechanisms, can be applied at project level and aggregated to the overall portfolio level.

Operation phase KPIs are focused on the overall project performance, beyond the scope of work that TR conducts. Actions taken by TR during the engineering and procurement phase can have an impact on the performance of the asset during operation regarding emissions intensity. The most relevant indicator will be the GHG emissions intensity in $kgCO_2e$ per unit of energy or product that is produced.

KPIs will vary depending on the project type, which can range from the production of primary energy (e.g. natural gas production) to end use energy production (e.g. power generation).

Therefore, to develop a functional set of indicators the project portfolio will be categorized in a manner that allows for direct comparison of projects dealing with similar scopes. Within each of these categories, KPIs can be used to monitor the decarbonization performance evolution over time.

Reporting of these category KPIs at the overall project portfolio level will provide insight into the overall contribution of TR's activities to its decarbonization objectives.

1.5. The reference for our strategy

Climate change is one of the major threats for mankind, if not the greatest. For tackling it, all relevant dimensions shall be considered: environmental is the key one; but also, the economic and the social extents shall be included to solve the equation.

"The Sustainable Development scenario lays out a pathway to reach the United Nations SDGs most closely related to energy… It is designed to assess what is needed to meet these goals, including the Paris Agreement, in a realistic and cost-effective way"

International Energy Agency
World Energy Outlook 2019

The International Energy Agency (IEA) has defined a Sustainable Development Scenario (SDS) which takes into accounts these concurrent challenges. This SDS "*lays out a pathway to reach the United Nations Sustainable Development Goals (SDGs) most closely related to energy: achieving universal energy access (SDG 7), reducing the impacts of air pollution (SDG 3.9) and tackling climate change (SDG 13). It is designed to assess what is needed to meet these goals, including the Paris Agreement, in a realistic and cost-effective way*[1]."

The SDS takes into accounts the concurrent challenges of sustainability and decarbonization in a realistic and cost-effective way. According to the IEA, the transition of the global energy matrix needs to be responsible and achievable. Decarbonization, to succeed, shall be addressed in conjunction with other economic and social factors. A sudden lack of investment in the existing oil and gas value chain could result in a shortage of basic energy supply and, therefore, price spikes, that will impact mostly the citizenship of developing economies.

The IEA SDS is the reference outlook where the strategy of Técnicas Reunidas is anchored. We make ours the aims of the IEA SDS. We contribute to them by delivering the services to our clients that support the investments that are needed to reach the UN SDGs targeted in the IEA SDS.

1.6. Highlights of the IEA SDS related to our strategy

Some references of the IEA SDS upon which our strategy is based are the following ones:

[1] International Energy Agency, World Energy Outlook 2019

- **Clean fuels for cooking and transport.**

  The SDS aims to universal access to clean cooking facilities by 2030. Among others, clean cooking refers to biogas systems and liquefied petroleum gas (LPG) and ethanol stoves. As of today, 2.6 billion people lack access to clean cooking. Indoor pollution related to dirty cooking is the cause of 2.5 million deaths every year.

  Other 3 million people die every year due to lung diseases related to outdoor pollution of bad quality fuels used for heating and transport. Clean fuels that fulfil Euro V/VI standards help to avoid these deaths.

Our contribution:	we design and build new refineries and upgrade existing ones to improve the quality of the produced fuels to high level standards. We design and build natural gas processing plants to separate butane and propane (LPGs), that can be used as clean cooking system.

- **Increase of petrochemical demand**

  The demand for petrochemicals is expected to increase by 37% from current levels to 2040, at an annual growth rate of 1.6%[2], even with a huge increase in recycling rates, from the current 15% to 40% by mid-century.

  According to the SDS, the feedstock for petrochemicals, ammonia and methanol are going to come in 2030 and 2040 mainly from natural gas and intermediate streams of oil refining processes[3].

Our contribution:	we design and build efficient petrochemicals plants that manufacture the olefins and aromatics as building blocks of products that facilitate clean water distribution, extend the life of food and beverages, improve the energy efficiency of buildings, improve the efficiency of transport and allow relevant health advances. We are integrating refining and petrochemical operations to reduce the use of raw materials and optimize the production process and the supply of demand.

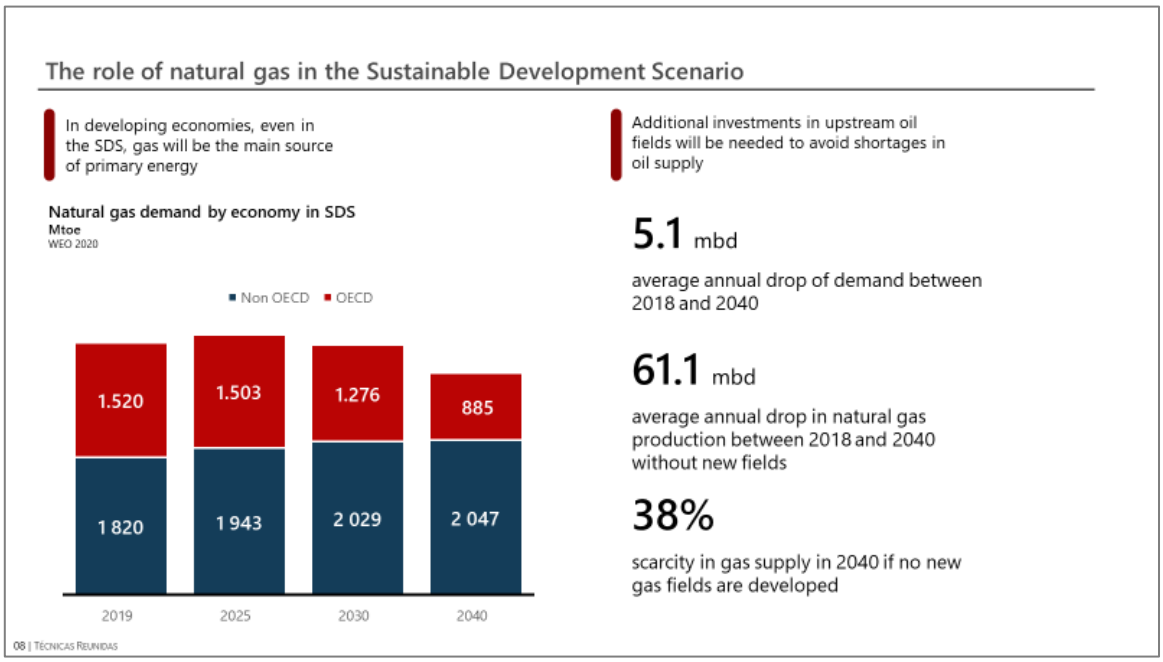
- **Demand of natural gas in emerging countries**

  In the SDS, natural gas will remain in 2030 and 2040 as the third and the first source of energy in non-OECD countries. If no production and processing facilities are built, the world could face a 38% scarcity in the supply of natural gas, being it main market emerging countries.

[2] https://www.iea.org/reports/the-future-of-petrochemicals

[3] The Future of Petrochemicals, IEA 2018, page 104 (CTS is the equivalent to SDS)

Exhibit 3. Forecasts for the growth of natural gas demand in the Sustainable Development Scenario

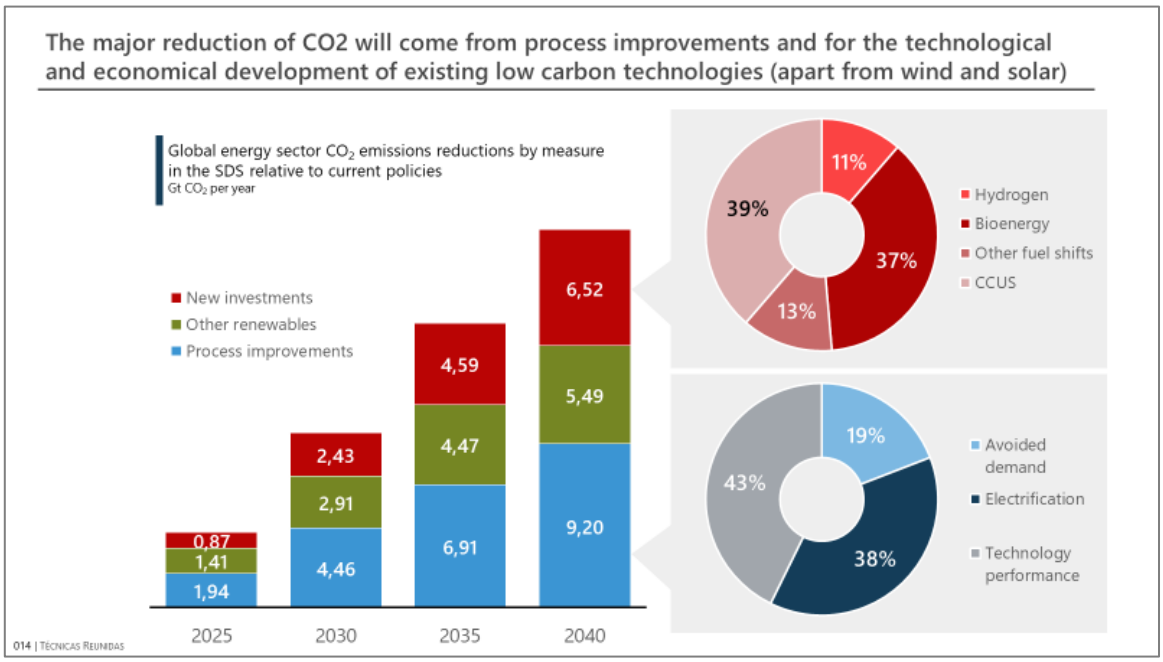


Our contribution:	we design and build infrastructures along the whole natural gas value chain, from the well – with treatment and processing plants – to its final use, as efficient combined cycle power plants that support the growth of intermittent renewable energies.

- **Technological and economic development of low carbon technologies**

  Apart from the increase of renewable power generation and, mainly, for process improvements, the decrease in carbon emissions will come from the increase in the energy matrix of sources of energy like hydrogen and bio energy, the shift to gas from more carbon intensive energy sources and from carbon capture and storage facilities.

Exhibit 4. Global energy sector CO_2 emissions reductions by measure in the SDS relative to current policies



Our contribution:	we help our clients to increase the role of natural gas in their national energy matrix. We provide services for defining the technical and investment case of technologies that are going to be part of the future low carbon energy supply: hydrogen, bio energies and carbon capture and storage. We engineer these projects and we build them.

2. Our role in the decarbonization of the energy supply

The SDS says that the global energy matrix needs to advance towards a scenario where low carbon technologies become the largest chunk of the energy supply. The main tools for achieving this goal are already identified:

- A stronger commitment to energy efficiency by all stakeholders (end users are key actors).
- The deployment at the faster possible pace of renewables energies (wind and solar, but also biomass power generation and biofuels, including bio natural gas).
- A smart investment in the remaining fossil fuel infrastructures that are needed to ensure the access to reliable and affordable energy. In this regard, the switch to natural gas is an important part of the game.
- A definite step ahead in the economic performance of existing technologies like carbon capture, utilization and storage and production of blue and green hydrogen.

The most demanding design standards and best available technologies are required for building the energy future around these tools.

> **"The transformation of the energy sector can happen without the oil and gas industry, but it would be more difficult and more expensive"**
>
> **International Energy Agency**
> The Oil and Gas Industry in Energy Transitions, 2020

For operators and investors, only engineering and construction companies with embedded advanced and responsible practices will be the base reference. Only first-class engineering and construction companies will be trustable for achieving these objectives.

A close collaboration among investors in energy infrastructures, suppliers of financing with demanding environmental requirements and tier 1 project management companies will be required to ensure that the investments will accomplish the long-term climate commitments.

2.1. Our current capabilities for decarbonization

The following exhibits show which are our current capabilities for addressing the needs of low carbon energy technologies.

Exhibit 5. The role of Técnicas Reunidas in the energy transition

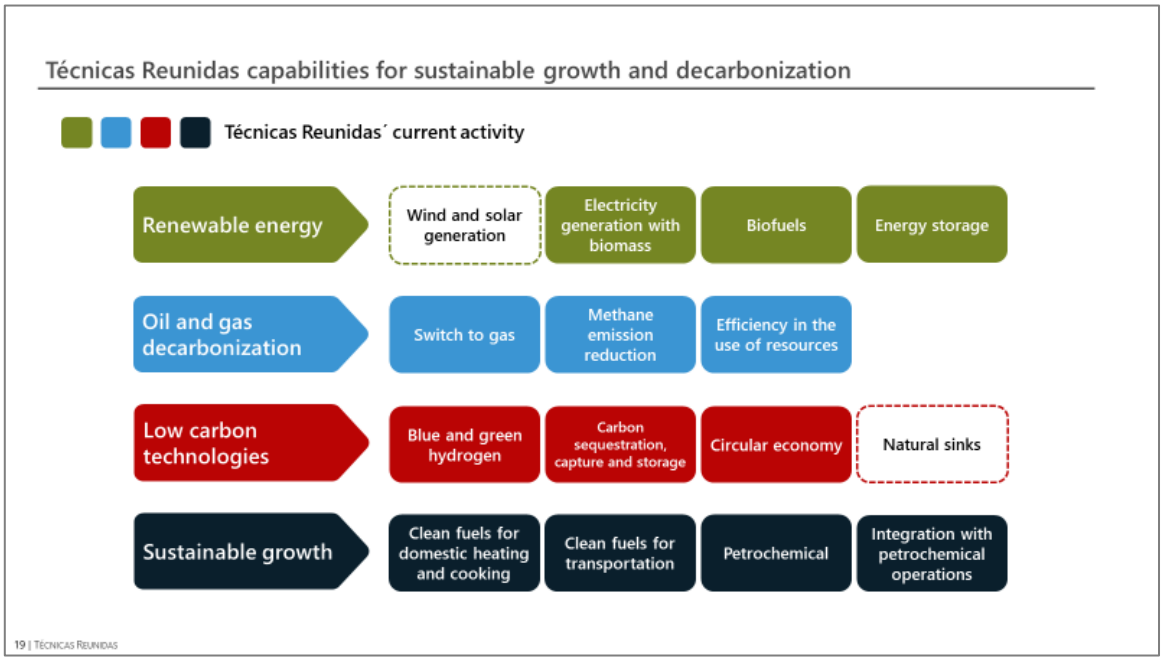


Exhibit 6. Capabilities of Técnicas Reunidas in hydrogen

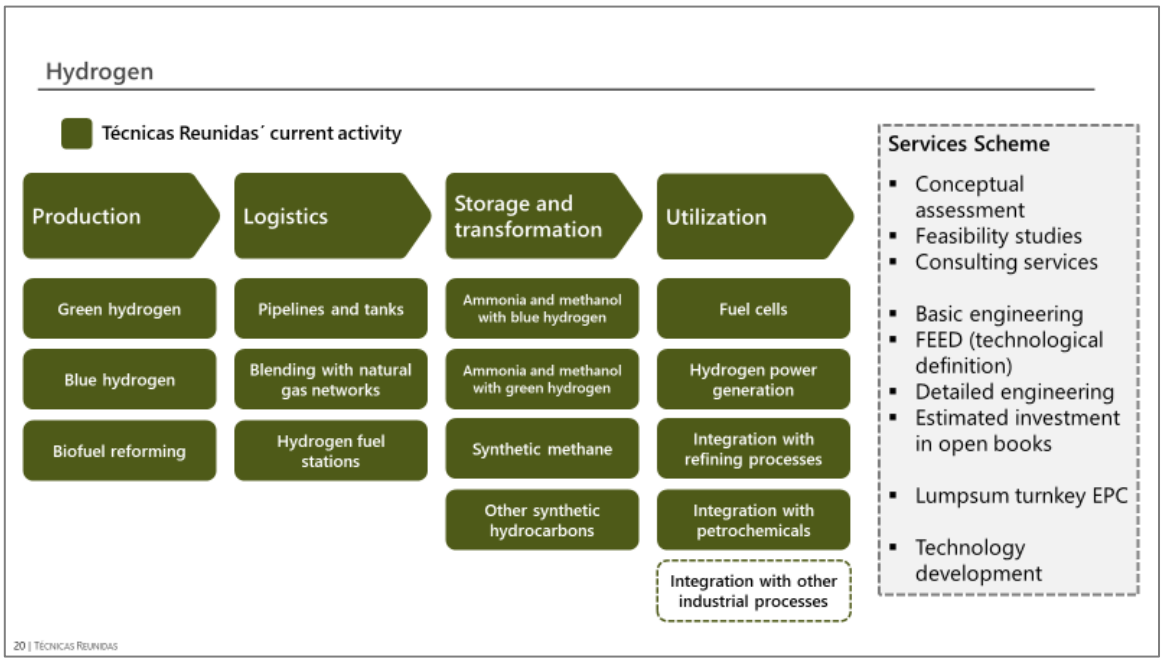


Exhibit 7. Capabilities of Técnicas Reunidas in carbon capture

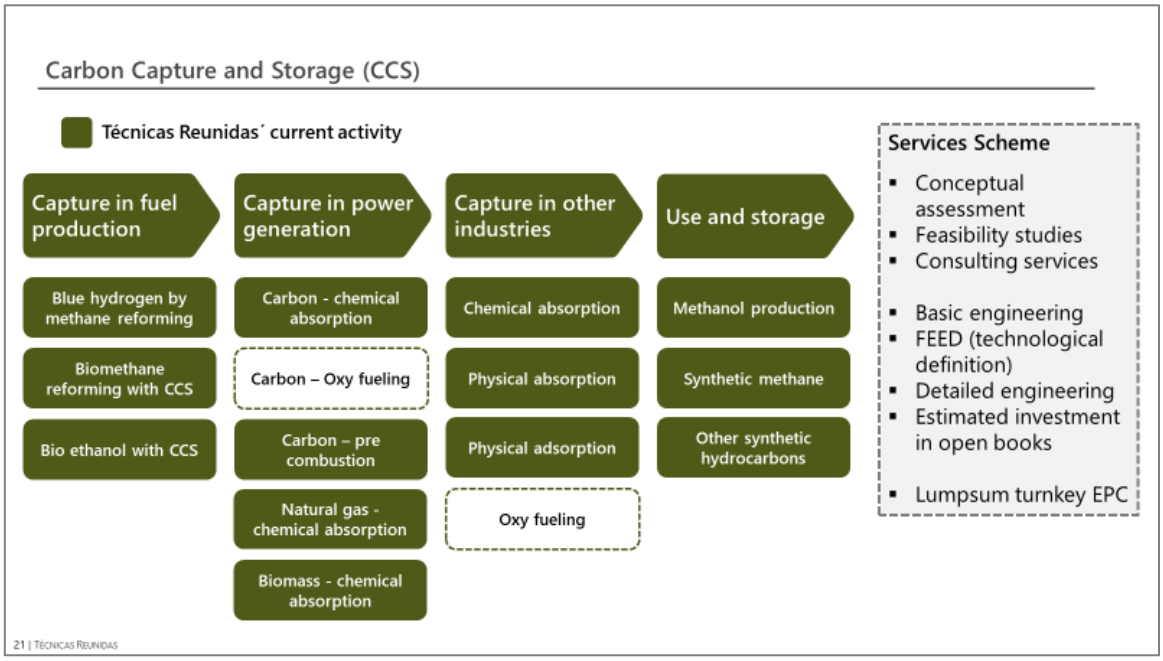
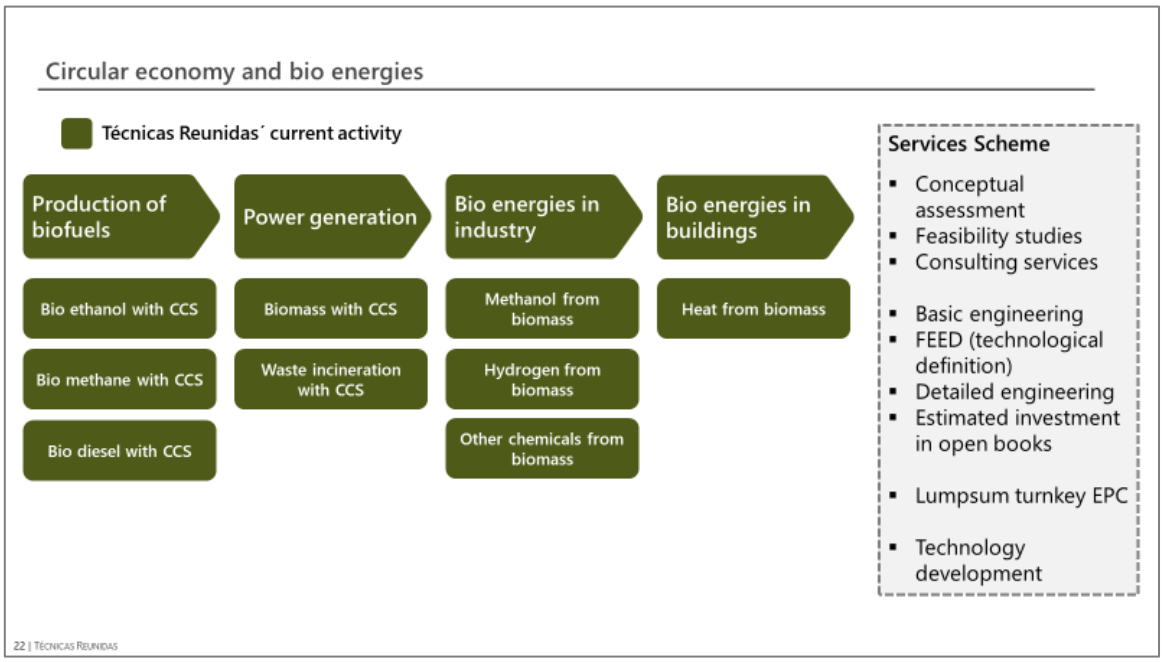


Exhibit 8. Capabilities of Técnicas Reunidas in bio energies



2.2. Our decarbonization projects and their fit in our strategy

The projects we execute are already supporting our strategy:

- We are deploying renewable power generation and contributing to the development of biofuels:
  - We have built the world largest biomass power plant in Teesside, United Kingdom.
  - We have defined the technology for a plant in the Netherlands that is fed by hydrogenated vegetable oil to produce sustainable aviation fuel.
- We are building efficient facilities along the natural gas value chain:
  - Production and processing plants of natural gas for clients that apply the most stringent standards for minimizing methane emissions and that are among the natural gas operators with the lowest carbon footprint.

    References include projects in Saudi Arabia (Marjan, Haradh, Fadhili) and United Arab Emirates (Das Gas Island).
  - We increase the efficiency and reduce the carbon footprint of power generation by the conversion of open cycle gas turbines into combined cycle power plants (projects in Colombia, Dominican Republic and Peru).

    These specific projects prevent the use of more pollutant technologies to cover events of peak demand.
- We are supporting our clients in their investments in low carbon and circular economy technologies that need an additional step ahead to be technical and economically feasible to be deployed at a large scale:
  - We are designing – and we will build – a waste and biomass to methanol plant, clear example of biomass valorisation and good circular economy practice.

- We are providing engineering services for green hydrogen projects for several clients, having signed agreements for implementing green hydrogen sources in existing refineries.
- We are designing carbon capture and storage facilities for the decarbonization of combined cycles or the production of low carbon hydrogen from natural gas reforming.
- We are developing our own proprietary technologies to convert biomass in chemicals products or for the recovery of rare earths, indispensable for the technologies required for the energy transition.
- We are actively involved in prospects for products downwards in the hydrogen value chain, as green ammonia.
- We are collaborating in the escalation of electrolysis technologies.

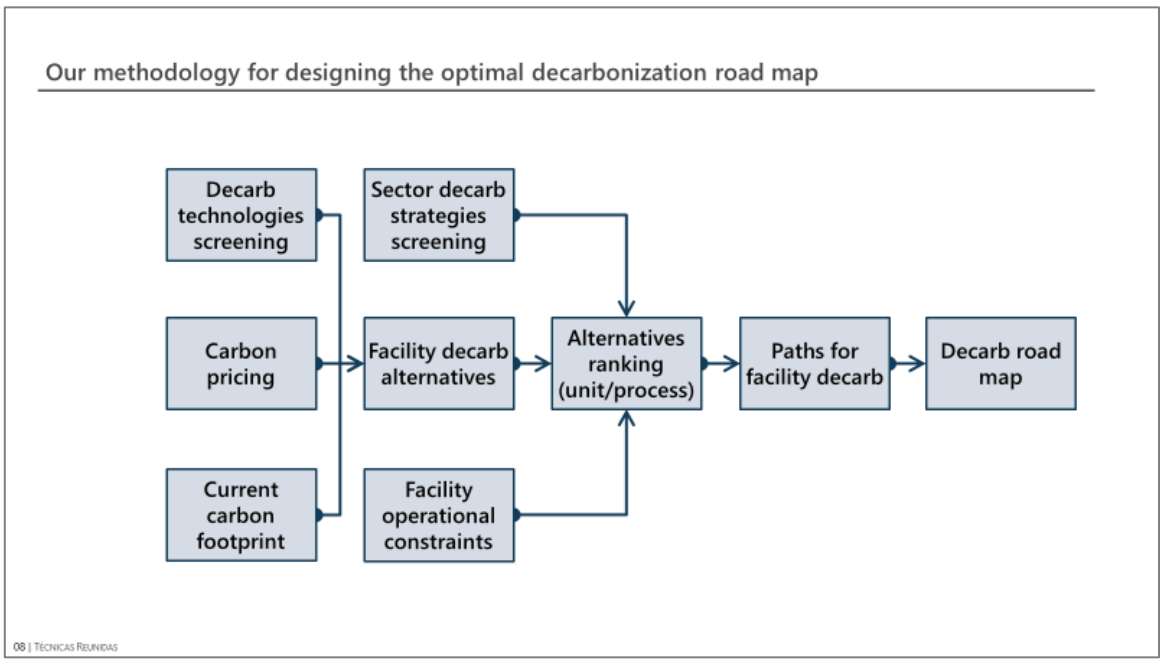
Our commitment is to get increasingly involved in projects with a clear positive decarbonization impact

We understand that the energy transition will require time. The speed of the transition will be mainly defined by the velocity with which the industry moves forward in this process. Being this true, the raise of awareness and the evolution of technology is already contributing significantly to speed up the transition.

In order to speed up this process, we are structuring a decarbonization consulting practice to help our clients to define decarbonization road maps for their industrial facilities (see Exhibit 8). The road maps will identify the combination of technology alternatives and their implementation schedule that help to meet decarbonization goals while maximizing the net present value of the required investments.

We are offering these services not only to our traditional oil and gas clients, but also to companies of other energy intensive industries.

Exhibit 9. Methodology for defining optimal decarbonization road maps



The energy transition financing framework is the backbone to continue building our strategy to contribute to a net zero carbon energy supply.

Our commitment is to get increasingly involved in projects where there is a clear positive impact related to decarbonization. Through this strategy, we are reinforcing our positioning in the activities that are contributing to the 2ºC scenario.

The implementation of this strategy will be monitored by a set of Transition KPIs that will be continuously reviewed.

3. About Técnicas Reunidas' Transition Financing Framework

We consider that this Transition Financing Framework is a key instrument to support our efforts towards Climate Transition. Therefore, we have prepared the current Energy Transition Financing Framework following, when relevant and feasible, the ICMA Climate Transition Finance Handbook[4]. The current Energy Transition Financing Framework implements the recommendations of this Handbook, except the verification elements, as under the Science Based Target Initiative there are not already specific guidelines for the oil and gas industry.

The proposed Energy Transition Financing Framework is the backbone upon Técnicas Reunidas wants to continue building our strategy to contribute to a net zero carbon energy supply scenario.

Transition Financing instruments issued under this Framework will adopt (1) Use of proceeds (2) Project Evaluation and Selection (3) Management of Proceeds and (4) Reporting, as set out in this document.

With the help of renowned consultants in the energy business, we will continuously update the methodology for the eligibility of the projects that will be financed under this framework

Técnicas Reunidas is paying attention to market developments on Climate Transition Standards and will look to adjust to the best extent possible its framework when relevant standards come into the market.

With the help of renowned consultants in the energy business, we will continuously update the methodology for the eligibility of the projects that will be financed under this framework. These consultants will also define whether a project is suitable to be included in any transition financing instrument issued under the Energy Transition Financing Framework[5].

4. Use of proceeds

Proceeds of Técnicas Reunidas transition financing instruments will be allocated to finance or refinance in whole or in part the services delivered through Técnicas Reunidas' clients projects that fall within the eligible categories set under the current section.

[4] https://www.icmagroup.org/sustainable-finance/the-principles-guidelines-and-handbooks/climate-transition-finance-handbook/

[5] Técnicas Reunidas is currently working with the French energy consultant Enea Consulting for the definition of the methodologies for the eligibility of every technology, as well as for assessment of the eligibility of specific projects.

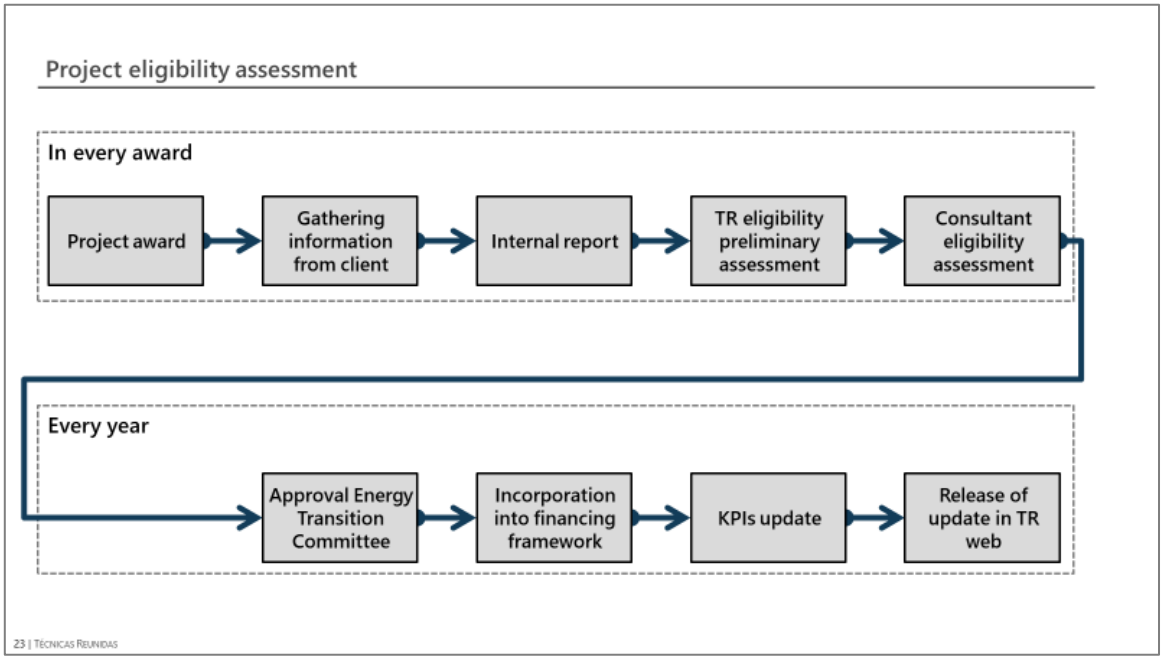
Eligible category	Eligibility criteria	Environmental objective	SDG contribution
Deployment of projects considered to clearly contribute to the energy transition Investments and expenses dedicated to projects demonstrating a clear contribution to climate change mitigation and energy transition and meeting the most stringent GHG emissions thresholds for the technology/sector defined in recognized frameworks that can be considered above industry standard without specific consideration of the local context (e.g. EU Taxonomy, Climate Bond Initiative, EIB Energy Lending Policy, etc.). Example of eligible projects include: ▪ Design and construction of green hydrogen manufacturing plant ▪ Design and construction of green ammonia plants.	Refer to the Explanatory Document – Methodology for evaluating the contribution of projects to the Energy Transition eligibility of projects developed and executed by Técnicas Reunidas, published on Técnicas Reunidas' website (*url to be added once published)* Specific and detailed eligibility criteria have been developed on a sector by sector basis and are presented in this methodology document for the following typologies of projects: - Power generation (with a special focus on gas and biomass fuelled power plants) - Natural gas production and processing	▪ Climate change mitigation ▪ Access to clean and affordable energy ▪ Innovation and infrastructure	
Deployment of projects contributing to the energy transition according to emissions metrics Investments and expenses dedicated to projects demonstrating a contribution to energy transition based on metrics derived from scenarios (e.g. IEA Sustainable Development Scenario) or sectorial trajectories defined by frameworks (e.g. Science-Based Targets Initiative). Example of eligible projects include: ▪ Design and construction of biomass CHP plants ▪ Design and construction of renewable fuels production plants ▪ Construction of a CCGT plant meeting emissions thresholds based on absolute emissions and/or relative savings (e.g. replacement of more polluting fuel)		▪ Climate change mitigation ▪ Access to clean and affordable energy ▪ Innovation and infrastructure	

Eligible category	Eligibility criteria	Environmental objective	SDG contribution
Deployment of projects contributing to energy transition in the local context Investments and expenses dedicated to projects demonstrating: ▪ GHG emissions at operational stage are below a relevant baseline scenario defined based on recognized frameworks (e.g. EIB Carbon Footprint Methodology); ▪ best practices/BAT are applied to minimize the project's negative environmental and social externalities; and ▪ a contribution to energy transition in the local context can be demonstrated (e.g. evolution of the energy mix, contribution to grid stability, country's NDC, etc.) ▪ minimization of social and environmental impact during the execution of the project. Example of eligible projects include: ▪ Construction of a CCGT plant demonstrating GHG reduction compared to the local energy context. ▪ Natural gas production or processing projects, with low unitary emission impacts compared to world average and strict methane venting and flaring standards	- Hydrogen production - Biofuel production For future projects falling outside of these typologies, new sector-specific eligibility criteria will be developed in line with the eligibility categories and criteria of this framework and with the assistance of relevant external expert (see box 2).	▪ Climate change mitigation ▪ Access to clean and affordable energy ▪ Innovation and infrastructure	
Research, development and innovation in low carbon technologies. Investments and expenses dedicated to projects and research activities in waste to chemical, carbon capture, utilization and storage; green and blue hydrogen; biorefineries and circular economy.	Eligible R&D expenditure will be directed towards technologies aiming at eligibility under one of the 3 first categories, as per relevant Enea methodology.	▪ Climate change mitigation ▪ Clean and affordable energy ▪ Innovation and infrastructure ▪ Responsible consumption	

Eligible category	Eligibility criteria	Environmental objective	SDG contribution
Reduction of Técnicas Reunidas' corporate carbon footprint Investments and expenses dedicated to projects that aim at reducing Técnicas Reunidas corporate carbon footprint (Scope 1+2): ▪ Corporate expenses in renewable energy power. ▪ Digitalization of operations with impact in carbon footprint reduction. ▪ Reforestation.	Investments and expenses towards projects eligible under EU Taxonomy	▪ Climate change mitigation ▪ Innovation and infrastructure	

5. Decision process for including a project into the energy transition financing framework

Exhibit 10. Project eligibility assessment for the energy transition financing framework



The decision process for selecting any given project will be managed by the Secretariat of the Committee for the Energy Transition[6], under the following procedure:

- Técnicas Reunidas will annually preselect projects of its backlog that, under its understanding, could be eligible under the energy transition financing framework.
- Técnicas Reunidas will check the eligibility with a relevant external expert, who will evaluate each project using the evaluation methodology and eligibility criteria. The consultant will classify the projects within one of the eligible categories defined in section 2 of this framework (see box 2 for update of the eligibility criteria).
- Once projects have been preselected and classified by the external consultant, the Committee for the Energy Transition will verify each project against Técnicas Reunidas' ESG internal policies and other regulations. Projects that pass all the checks, will be selected to be financed under the Energy Transition Financing Framework.
- Técnicas Reunidas has established a lookback period of 48 months for the refinancing of activities.
- The selected projects will be reviewed annually by the Committee for the Energy Transition for their alignment with the eligibility criteria to ensure that they continue to comply with the current framework.

The Committee for the Energy Transition will also review the management of proceeds as described in Section 4 and facilitate reporting as described in Section 5.

[6] Decision sub body of the Executive Management Committee which includes the Executive President, the Corporate Managing Director, the Chief Commercial Officer, the Chief Financial Officer and the Chief Operations Officer.

Box 2. Continuous update of our eligibility criteria

Specific and detailed eligibility criteria have been developed on a sector by sector basis and are presented in this framework for the following typologies of projects (see appendix 2):

- Power generation (with a special focus on gas and biomass fuelled power plants)
- Natural gas production and processing
- Hydrogen production
- Biofuel production

For future projects falling outside of these typologies, sector-specific eligibility criteria will be developed in line with the eligibility categories and criteria of this framework and with the assistance of relevant external expert. The criteria will be specifically developed to fit with our company strategy.

The update of the methodology by the external consultant will follow the following steps:

1. The external consultant will update the existing eligibility methodology with the latest releases of the references used in the methodology criteria (as of today, the five categories included above in this box).
2. To be considered eligible, any new project will pass an eligibility check, performed by the external consultant.
3. If the project class is not considered in the existing methodologies, the external consultant will define a new methodology for that specific project.

6. Management of proceeds

On an annual basis, the Financing Department of Técnicas Reunidas will allocate the proceeds of any transition financing instrument to the projects in accordance with the use of proceeds and evaluation and selection process presented above.

The proceeds will be recorded separately in order to clearly track the use and allocation of the funds for the eligible projects.

Técnicas Reunidas will do its best to fully allocate the proceeds within 3 months after the issuance date of each transition financing instrument.

In case that the eligible projects are being executed, the proceeds will be directly applied to them. In case that any portion of the financing instrument proceeds could not be allocated temporarily, it will be held in short term and liquid instruments.

7. Reporting

Técnicas Reunidas will produce an allocation report (the "Allocation Report") as well as an impact report (the "Impact Report") during the life of of the financing instruments issued under this Framework.

7.1. Allocation report

Técnicas Reunidas will publish on its website and within the annual non-financial report a disclosure of the allocation of the funds, including a breakdown of allocated proceeds by category, geography and remaining balance of unallocated proceeds. External verification of the 'Allocation reporting' by the company auditor will be provided annually.

7.2. Impact report

Técnicas Reunidas will include within the annual non-financial report summarized information of the environmental and sustainability benefits of its transition financing instruments. It will also include the list of projects that are included in the transition financing instruments.

The impact report will include, whenever possible, the following metrics:

Category	Impact reporting metrics
Deployment of projects considered to clearly contribute to the energy transition	▪ Annual GHG emissions during operations (in tonnes of CO_2e/year) ▪ GHG emissions avoided (in tonnes of CO_2e/year) ▪ Renewable fuel produced (in tonnes/year) – where relevant
Deployment of projects contributing to the energy transition according to emissions metrics	▪ Annual GHG emissions during operations (in tonnes of CO_2e/year) ▪ GHG emissions avoided (in tonnes of CO_2e/year) ▪ Contribution of the project to energy transition in the local context
Deployment of projects contributing to energy transition in the local context	▪ Annual GHG emissions during operations (in tonnes of CO_2e/year) ▪ GHG emissions avoided (in tonnes of CO_2e/year) ▪ Contribution of the project to energy transition in the local context
Research, development and innovation in low carbon technologies	▪ Total expenditures ▪ Example case studies of R&D investments (where available) ▪ Potential qualitative and/or quantitative impact of the outcome of R&D activities in energy transition
Reduction of Técnicas Reunidas's corporate carbon footprint	▪ Annual GHG reduction (in tonnes of CO_2e/year)

Técnicas Reunidas will provide the detailed methodology behind the calculation for impact reporting metrics under its annual Impact Report.

7.3. External review

Técnicas Reunidas has engaged ISS – ESG to provide an external review in the form of a second party opinion on the Técnicas Reunidas Energy Transition Financing Framework. ISS – ESG assessment is available on Técnicas Reunidas website.

Técnicas Reunidas Energy Transition Financing Framework reporting will also be subject to annual post-issuance external reviews by third party consultants, with regards to allocation, eligibility criteria alignment and impacts measures, which will be accessible on the company´s website.

7.4. Amendments to the Framework

We will update this framework as and when new relevant transition financing standards are released, with the aim of aligning to those standards on a best-effort basis.

We will review this Framework on a regular basis, including its alignment to any upcoming Transition Financing standards (see Box 2 for the specific update of the eligibility methodology). We will update this Framework as and when such standards are released, with the aim of aligning to those standards on a best-effort basis. The updates, if not minor in nature, will be subject to our prior approval and of an external consultant.

Any future updated version of this Framework that may exist will either keep or improve the current levels of transparency and reporting disclosures, including the corresponding review by an External Reviewer. The updated Framework, if any, will be published on our website and will replace this Framework.

Appendix 1. Key features of Técnicas Reunidas Sustainability Policy

Técnicas Reunidas performs its activities under the framework defined in its Sustainability Policy, approved by the Board of Directors. Its current version came in force on September 30th 2020.

The main features of the Sustainability Policy are:

- Sustainability is promoted by the Board of Directors and senior management.
- The Sustainability Policy contains the principles of action for all areas, with express commitments in the main areas of activity.
- It is applicable to the entire Company.
- The Development Plan will establish both global and specific actions, coordinated and reaching all areas in terms of sustainability.
- Imminent launch of the Sustainability Policy Development Plan (by end of June 2021). The Sustainability Policy Development Plan will be the common criterion and guide to all the activities, areas and departments of the Company in terms of Sustainability.
- Topics included in the Sustainable Policy are all those relevant in terms of sustainability, including climate neutrality, environmental neutrality, sustainable financing, ESG risk culture, talent diversity, equality and safety, governance and culture sustainability, reputation and communication enhancement, ESG rating enhancement, contribution to SDGs, code of conduct, sustainable supply chain, social action or global tax impact.

Emission reduction policy

The current decarbonization target considers a 12% reduction for scopes 1 and 2 emissions by 2030, considering 2017 as the base year.

Currently, Técnicas Reunidas is assessing whether to increase the decarbonization target for scopes 1, 2 and 3. More concretely, Técnicas Reunidas is assessing its commitment to comply with decarbonization target of net zero emissions in 2040.

Key points to highlight regarding this exercise:

- The analysis is being done internally with the assistance of a first level external consultant.
- The aim is to provide a solid, progressive and achievable decarbonization plan.
- Strong involvement of senior management.
- Validation of objectives by SBTi or other renowned third party.
- Annual emissions will be verified by a renowned third party and reported.
- We will allocate enough human and material resources to achieve these targets in the first 3 years.

Highlight of the Sustainability Policy

- Sustainable financing is a key component of the Sustainable Policy: currently, we have the commitment that the new financing of Técnicas Reunidas during the period 2021-2023 will be linked to sustainable and transition aspects by at least 33%.
- Involvement of Directors and executives in the commitment to sustainability. We are assessing whether to create a sustainability commission at the Board level or incorporate these activities into one of the existing commissions.
- We are evaluating the implementation of a performance remuneration system for sustainability objectives to senior managers, executives and middle managers. This compensation mechanism

is already applied to its Executive Chairman for 3 years (20% of its variable remuneration is linked to sustainability performance).

- We will spread sustainability strategy in each project in execution, appointing a specific person responsible for sustainability in each one with periodically reporting tasks to the appropriate bodies.

Current assessment of Técnicas Reunidas sustainability by specially qualified third parties

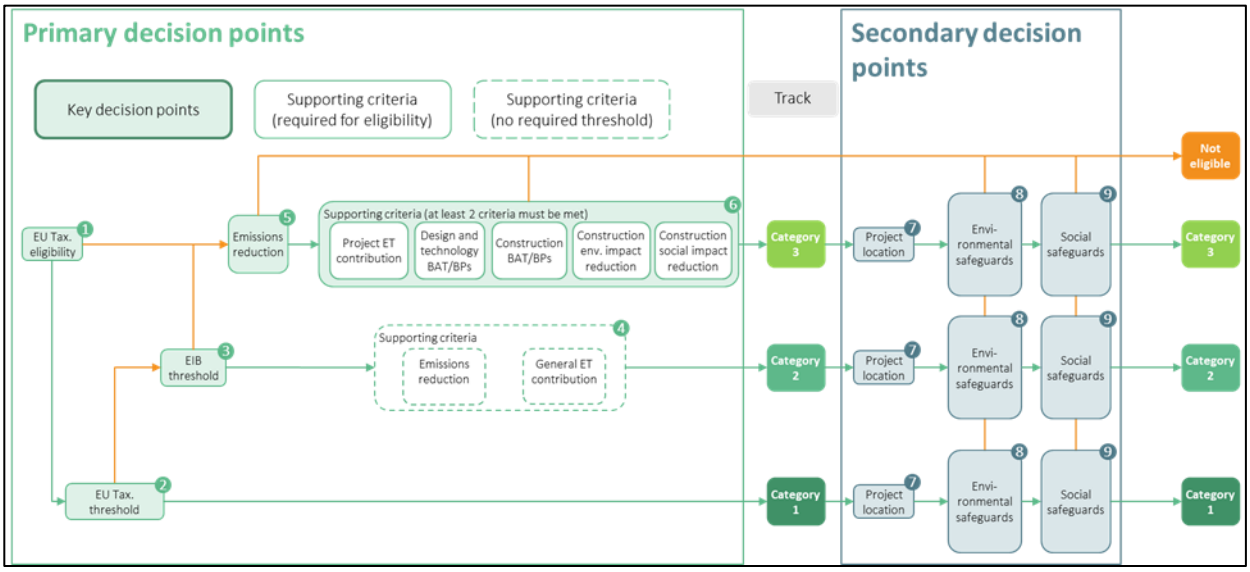
Some key metrics regarding sustainability performance are the following ones:

- Gaïa: 77/100 (industry average, 53/100).
- MSCI: A (top 25%).
- Vigeo: complete questionnaire, pending assessment.
- Global Compact: members since 2011.
- CDP: world leaders in 2017 and 2018 in the Climate Change questionnaire on climate change strategy, risks and opportunities. Currently, world leaders in 2019 (last year evaluated) in supply chain.

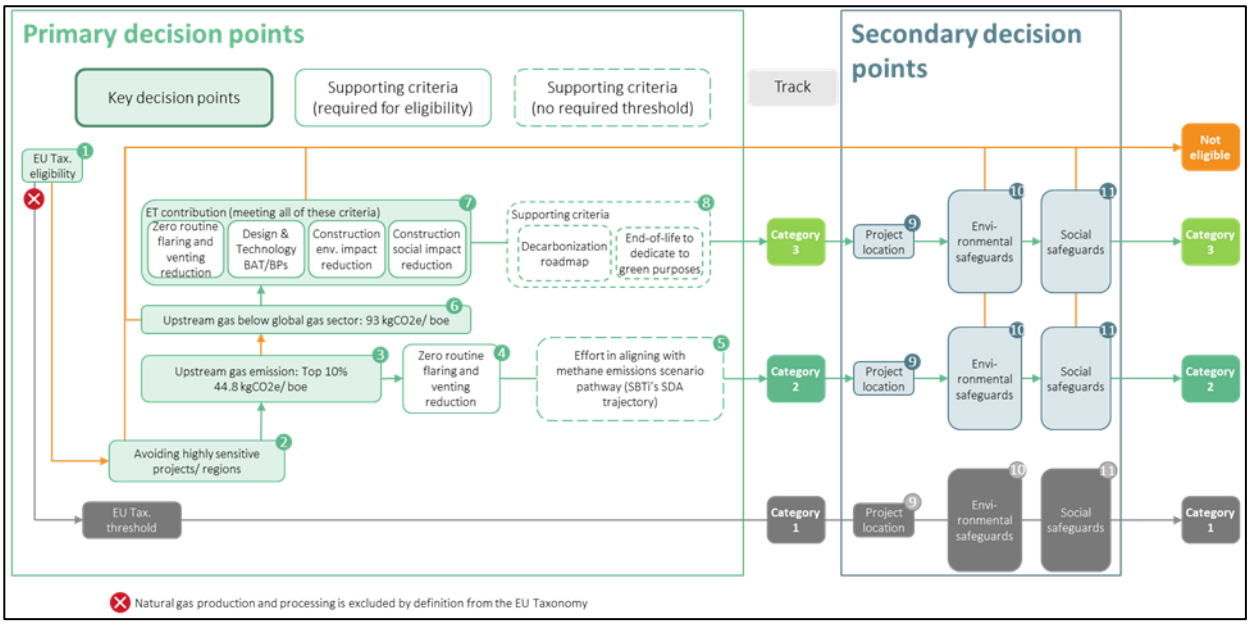
Appendix 2. Current eligibility methodologies

The current eligibility methodologies defined by Enea Consulting for the different project classes are the following ones:

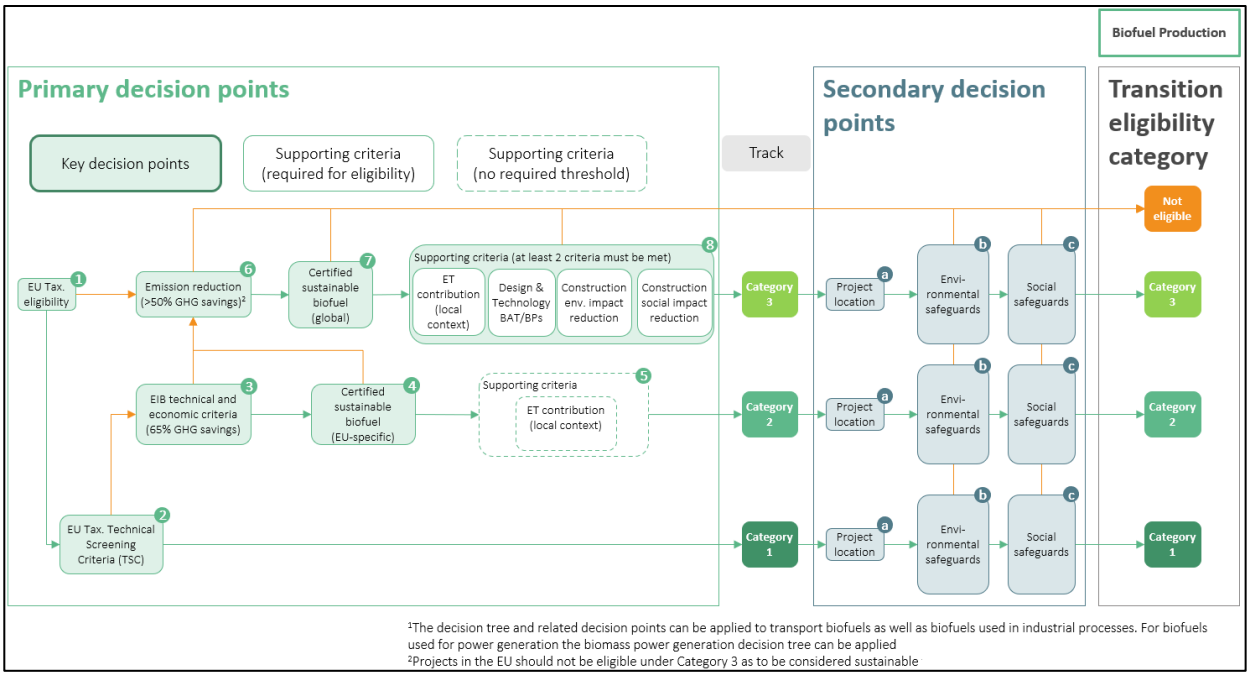
Power generation decision tree



Natural gas production and processing decision tree



Biofuel production decision tree



[1]The decision tree and related decision points can be applied to transport biofuels as well as biofuels used in industrial processes. For biofuels used for power generation the biomass power generation decision tree can be applied
[2]Projects in the EU should not be eligible under Category 3 as to be considered sustainable

Hydrogen production decision tree