



TECNICAS REUNIDAS

REPORT ON THE OPERATION OF THE
APPOINTMENTS AND REMUNERATION
COMMISSION

FISCAL YEAR 2021



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REPORT ON THE OPERATION OF THE APPOINTMENTS AND REMUNERATION COMMISSION DURING FISCAL YEAR 2021

1. INTRODUCTION

The recast text of the Spanish Corporate Enterprises Act, approved by Royal Legislative Decree 1/2010 of July 2 (“LSC”) establishes in article 529 terdecies that listed companies must set up an appointments and remuneration Commission (or two separate Commissions), and article 529 quindecies LSC establishes its rules of composition, operation and competencies.

On the other hand, article 529 nonies LSC establishes that the Board of Directors must annually evaluate its operation and that of its Commissions, and Recommendation 36 of the Good Governance Code for Listed Companies (the “Good Governance Code”) establishes that the evaluation of the Commissions shall be based on the report they submit to the Board of Directors.

On the basis of the foregoing, the Appointments and Remuneration Commission of Técnicas Reunidas, S.A. (the “Company”) has prepared this report on its operations during fiscal year 2021, which will be available to shareholders and other interested parties on the Company’s website from the time the formal notice of the Ordinary General Meeting of Shareholders has been sent out, in accordance with Recommendation 6 of the Good Governance Code.

2. REGULATION OF THE COMMISSION AND PRACTICAL GUIDELINES THAT ARE BEING FOLLOWED

The rules regarding the composition and operation of the Company’s Appointments and Remuneration Commission are set forth in article 30 of the Company’s Bylaws and article 14 of the Board Regulations. These documents are permanently published for consultation on the Company’s corporate website (www.tecnicasreunidas.es).

In the exercise of its duties, the Appointments and Remuneration Commission starts from the provisions of the Good Governance Code and has also taken into account the basic principles and recommendations from the NSMC Technical Guide 1/2019 on Appointments and Remuneration Commissions, published in February 2019 (the “Technical Guide 1/2019”). To this end, this report includes the information contained in part three, section 11 of the Technical Guide 1/2019.

3. COMPOSITION

In accordance with article 30 of the Company's Bylaws and article 14 of the Board Regulations, the Appointments and Remuneration Commission must be comprised of a minimum of three and a maximum of five directors appointed by the Board of Directors itself from among the non-executive directors, and at least two of them must be independent directors.

Likewise, the President of the Appointments and Remuneration Commission shall be appointed by the Board of Directors from among the independent directors for a term of four years and may be re-elected one or more times for terms of the same duration.

The composition of the Appointments and Remuneration Commission has not varied at any time during fiscal year 2021; it is as follows:

Director	Position	Category
Mr. Alfredo Bonet Baiget	President	Independent
Mr. Fernando de Asúa Álvarez	Member	Other non-executive
Mr. Rodolfo Martín Villa	Member	Other non-executive
Mr. José Manuel Lladó Arburúa	Member	Proprietary
Ms. Inés Andrade Moreno	Member	Independent
Non-Board Member Secretary: Ms. Laura Bravo		

- Mr. Alfredo Bonet Baiget (President) is an Independent Non-Executive Director. He was appointed director at the General Meeting of Shareholders on June 27, 2018 and appointed a member and President of the Commission on July 25, 2018.

Mr. Bonet Baiget holds a degree in Economics and Business Administration from the Complutense University of Madrid and is a Commercial Attaché and State Economist. In the field of public economics and trade, he has been Deputy Director General of EU Trade Policy and GATT Relations (1991-1993), Economic and Commercial Counselor of Spain in Miami (1987-1991) and Milan (1993-1997), General Director of Promotion of the Spanish Institute for Foreign Trade (ICEX) (2001-2004), a member of the Boards of Directors of Instituto de Crédito Oficial (ICO) and Navantia (2004-2010), Secretary of State for Foreign Trade and President of ICEX and Invest in Spain (2010-2012) and Chief Economic and Commercial Counselor at the Spanish Delegation to the OECD (2012-2015). In the private sector, he has been General Manager of Altair Asesores (1997-2001), International Director of the

Spanish Chamber of Commerce (2015-2018) and Secretary General of the Círculo de Empresarios (2018-present). He is also Vice-President of Spanish Seniors for Technical Cooperation (SECOT) and the CRE100DO Foundation.

- Mr. Fernando de Asúa Álvarez (member) is another Non-Executive Director. He was appointed director at the General Meeting of Shareholders on May 10, 2006, subsequently re-elected several times by the General Meeting of Shareholders and appointed member of the Commission since its constitution in 2006.

Mr. de Asúa Álvarez holds a degree in Economics and Computer Science from the Complutense University of Madrid and a degree in Business Administration and Mathematics from the University of California (USA). His professional experience involves an extensive career at IBM and IBM Spain between 1959 and 1991, including positions as General Manager for the South America Area and later Europe, President and CEO of IBM Spain and Director at IBM World Trade Corp. He was First Vice-President of Banco Santander Group from 2004 to February 2015.

- Mr. José Manuel Lladó Arburúa (member) is a proprietary director. He was re-elected as a director at the General Meeting of Shareholders on June 25, 2020 and designated a member of the Commission on July 28, 2020, after the Commission was formalized in the Company's Bylaws.

Mr. Lladó Arburúa holds a BSBA from Georgetown University and an MBA from the University of Chicago. Professionally, he was the manager of the international corporate finance division of Citibank N.A. (1986-1990), General Manager of Chase Manhattan Bank as Head of Global Market Sales for Spain (1990-2001), Assistant Deputy Managing Director of Banesto, with responsibilities over the International and Liquid Assets area (2001-2004), Director of CESCE (2001-2004), Managing Director and Founder of Ideon Financial Services (2004-present), Founding Partner, President and Director of Summa Financial Services (2013-present), Founding Partner and President of Borrox Financial Solutions, (2017-present), Founding Partner of Summa Financial Solutions, S.L. (2004-present) and Managing Director of Ideon Financial Solutions, S.L. (2008-present), as well as Managing Director of Araltec, S.L., Director of Ideon North America (later known as Choice) (2008-2019) and Founding Partner and President of Borrox Financial Solutions (2017-present). He is on the Boards of Aragonesas Promoción de Obras y Construcciones, S.L. (Director); Layar Castilla, S.A. (President); Summa Investment Solutions, S.A. (President); Choice Financial Solutions, S.L. (Director); Fintonic Servicios Financieros, S.L. (Director); León Valores S.A., SICAV

(Director); Araltec, S.L. (Vice-President) and Aragonesas Promoción de Obras y Construcciones (Director).

- Ms. Inés Elvira Andrade Moreno (member) is an Independent Non-Executive Director. She was appointed director at the General Meeting of Shareholders on June 25, 2020 and designated a member of the Commission on September 30, 2020.

Mrs. Andrade Moreno has a degree in business management (Finance and International Business) from Georgetown University (Washington, D.C.). She has developed her career in the financial and investment sectors. She has occupied positions of responsibility at JP Morgan (Financial Analysis, Mergers and Acquisitions Department), direct private equity funds in Spain (mainly, Inversiones Ibersuizas and Inova Capital) as well as Grupo Río Real, where she was Managing Director). She is currently a partner and Senior Advisor at the Altamar CAM Partners Group, a Hispano-German firm that manages assets mainly structured through funds of funds and custom mandates. Over the last 14 years, Inés has held various positions within the Altamar Group, including Managing Partner & Vice President from January 2016 to the end of 2021. She is also an independent director and President of the Corporación Acciona Energía ARC as well as a member of the executive committee and Director of the Level20 Mentoring Program in Spain.

- Mr. Rodolfo Martín Villa (member) is another Non-Executive Director. He was appointed director at the General Meeting of Shareholders on June 26, 2019 and designated a member of the Commission on July 30, 2019.

Mr. Martín Villa holds a degree in Industrial Engineering from the Polytechnical University of Madrid. Professionally, he has been a Spanish State Financial Inspector, Civil Governor of Barcelona (1974-1975), Minister of Union Relations (1975-1976), Minister of Governance and of the Interior (1976-1979), Minister of Territorial Administration (1980-1981), Vice-President of the Government (1981-1982), a Congressional Representative (1979-1983 and 1989-1997), President of the Budget Commission (1989-1996), the Justice and Interior Commission (1996-1997) and the Toledo Pact for Public Pensions Commission, President of Ibercobre (1979-1980), President of U.C.B. Spain (Unión Chimique Belge) (1990-1997), President of the Oversight Commission at Caja de Ahorros de Madrid (1993-1997), President of Endesa (1997 to 2002), President of Endesa Italia (2001-2003), President of Enersis (Chile) (1997-1999), President of Sogecable (2004-2010) as well as a Member of the Board of Trustees at the Pontifical University of Salamanca, the Colegio Libre de Eméritos Universitarios and the Ramón Menéndez Pidal Foundation. He

is a member of the Spanish Royal Academy of Moral and Political Sciences.

Detailed information on the members of the Commission and their professional background is available to shareholders, investors, and other interested parties on the Company's website.

In accordance with the foregoing, the Commission has been composed entirely of non-executive directors, at least two of whom are independent directors, including its President, in accordance with the provisions of article 529 quincecies LSC. All of its members having been appointed by the Board of Directors taking into account the duties of the Commission and ensuring that its composition meets the various diversity criteria regarding the knowledge, skills, professional experience, competencies, personal abilities and sectorial knowledge of its members, among other criteria.

Moreover, two independent directors were members of the Commission during the 2021 fiscal year.

4. COMPETENCIES OF THE COMMISSION AND ACTIVITIES CARRIED OUT DURING THE FISCAL YEAR

Article 14.2 of the Board of Directors Regulations establishes the duties of the Board of Directors Regulations Appointments and Remuneration Commission without prejudice to any other duties that may be assigned by the Board of Directors.

What follows is a list of the Commission's competences as allocated in the Regulations, indicating the most important actions in fiscal year 2021 in relation to them:

- 1) In relation to the composition of the Board:
 - Evaluate the skills, knowledge and experience required on the Board of Directors. To this end, it shall define the duties and skills required of the candidates to fill each vacancy and shall evaluate the time and dedication necessary for them to effectively perform their duties, ensuring that the non-executive directors have sufficient time available for the proper performance of their duties.
 - Ensure corporate policies are oriented towards a target of representation for the gender least represented on the Board of Directors and issue guidelines on how to reach such target as well as propose a selection policy for directors and diversity on the Board of Directors to the Board of Directors.

- Periodically verify directors' categories.
- 2) In connection with the selection of directors and senior management:
- Submit proposals to the Board of Directors for the appointment of independent directors for their appointment by cooptation or for submission to a decision by the General Meeting of Shareholders, as well as proposals for the re-election or removal of such directors by the General Meeting of Shareholders.
 - Report on the proposals for appointment of the remaining directors for their appointment by cooptation or for their submission to a decision by the General Meeting of Shareholders, as well as the proposals for their re-election or removal by the General Meeting of Shareholders.
 - Annually verify compliance with the selection policy for directors and diversity on the Board of Directors, reporting the findings in the Annual Corporate Governance Report.
 - Analyze, formulate and periodically review the proposed policies for hiring, loyalty and dismissal of executives, as well as formulate and review the criteria to be followed for the composition of the management team of the Company and its subsidiaries and for the selection of candidates.
- 3) In relation to the positions on the Board and the composition of the Commissions:
- Propose the members that should form part of each of the Commissions, taking into account the knowledge, aptitudes and experience of the directors and the duties of each Commission.
 - Report to the Board of Directors on the appointment of the President, Vice-President, members of the Executive Commission and the Honorary President, if any.
 - Report to the Board of Directors on the appointment and, as appropriate, the removal of the Secretary and Vice Secretary of the Board of Directors.
 - Propose, as appropriate, the appointment of the Coordinating Director.

- Examine and organize the succession of the President of the Board of Directors and the chief executive of the Company and, if appropriate, make proposals to the Board of Directors so that such succession takes place in an orderly and planned manner.
- 4) In relation to the remuneration of directors and senior management:
- Propose to the Board of Directors the compensation policy for directors and general managers or those who perform their senior management duties under the direct supervision of the Board or executed Commissions, verifying compliance therewith.
 - Analyze, formulate and periodically review the compensation policy applied to directors and senior management, including share-based compensation systems and their application, weighing their adequacy and performance, as well as ensure that their individual compensation is proportionate to that paid to other directors and senior management at the Company.
 - Propose to the Board of Directors the individual remuneration and other contractual conditions of the executive Directors, verifying that they are consistent with the remuneration policies in force.
 - Inform the Board of Directors in advance of the individual establishment of remuneration for each Director in such capacity subject to the statutory framework and remuneration policy as well as the performance of the executive duties assigned in accordance with the remuneration policy and the provisions of their contract.
 - Report to the Board of Directors on the systems and amount of annual remuneration of directors and senior management and verify the information on remuneration of directors and senior management contained in corporate documents, including the annual report on directors' remuneration, ensuring the transparency of remuneration.
- 5) Other duties:
- Lead the annual evaluation of the Board regarding the operation and composition of the Board and its Commissions and submit to the Board the results of its evaluation together with a proposal for an action plan or with recommendations to correct possible deficiencies detected or to improve its operation.

- Annually inform the Board of Directors of the performance evaluation of the Company's senior management.
- Periodically design and organize knowledge updating programs for Directors.
- Ensure that any conflicts of interest affecting advisors do not impair the independence of the external advice provided to the Commission.

In particular, the Commission carried out the following activities during fiscal year 2021:

a) In relation to the composition of the Board:

The Commission has examined the most appropriate way to organize the succession of the Board President during successive meetings, agreeing to analyze in detail the current structure and composition of the Board of Directors in order to revise the succession plan and adapt it to the new needs and circumstances and thus reduce any uncertainty that may affect the Company's operation.

b) In relation to the remuneration of directors and senior management:

The Commission evaluated on January 2021 the variable compensation for directors and executives correspondent to the financial year 2020 and, in relation to the Executive President, it analyzed compliance with the parameters set forth in the Remuneration Policy to determine said remuneration, unanimously approving a resolution on this matter.

The Commission also analyzed in several meetings the means at the disposal of the Honorary President, pursuant to the Company's Bylaws, and approved the information presented by the Director of Human Resources of the compensation paid to senior management, particularly analyzing the effective compensation for each senior manager in fiscal year 2020 and the compensation for these directors in fiscal year 2021.

Likewise, it studied the compensation conditions of employees in relation to the remuneration paid to the top executive.

c) Other duties:

As concerns its organization and operation, the Commission has analyzed at different meetings the suitability and utility of having its own

Regulations, agreeing to approve such Regulations in accordance with the provisions of section 2 of Technical Guide 1/2019.

On the other hand, the Commission designed and organized the new director training plan and agreed that the plan shall include, among others, training sessions on operations, the energy transition and the digital transition.

Moreover, the Commission has analyzed various legislative modifications and the growing demands in corporate governance, agreeing to analyze the suitability of updating certain corporate policies.

d) Other matters:

The Commission was informed by the Company's Director of Human Resources of the situation of the Group's resources as relates to the 2021 evolution and strategy and, in particular, it has analyzed the workforce's length of service and rotation as well as the talent recruitment plan, among other issues.

As part of the evaluation of the Board and its Commissions, the Commission unanimously approved its operations report corresponding to fiscal year 2020, agreeing to submit it to the Board. In addition, in relation to the evaluation corresponding to fiscal year 2021, the Commission agreed to continue to have the evaluation done by an external advisor which shall focus on the challenges raised before the Board in view of the changes the Company is going through. In particular, the Commission agreed to use the services of KPMG considering that it offers an appropriate methodology for the Company focusing on a strategic vision and forward-looking approach.

The Commission constantly monitored the evolution of the Covid-19 pandemic and, in particular, its impact on the Company's workforce.

At its most recent meeting, the Commission reviewed and unanimously approved the meeting calendar and action plan for 2022 after making the appropriate modifications pursuant to its availability.

Finally, it should be noted that, during fiscal year 2021, there have been no deviations with respect to the Company's procedures nor has the Board of Directors been informed of any irregularities in matters within the Commission's competence as it is not aware of any such irregularities having occurred.

5. MEETINGS

In accordance with the provisions of Article 14 of the Board Regulations, the Commission shall ordinarily meet once a year to prepare the information on the compensation of the Board Members that the Board of Directors must approve and make public, although it should be noted that in recent years the Commission has held at least four meetings a year. Likewise, said rule sets forth that it shall meet each time it is called by the President, who must always call it to meet whenever the Board or its President requests the issuance of a report or the adoption of proposals and, in any case, whenever suitable for the proper performance of its duties.

On the other hand, Technical Guide 1/2019 recommends that the presence of other directors, executives or any third party at the meetings of the Appointments and Remuneration Commissions should only take place at the invitation of the President of the Commission and should be limited to those items on the Agenda in relation to which they are invited. It also stipulates that the minutes of the meetings shall record the entries and exits of the various guests and that guests shall not attend the Commission deliberation and voting phases except in specific cases, with adequate justification for such provided in the minutes.

To this end, the Appointments and Remuneration Commission met 7 times during the period between January 1, 2021 and December 31, 2021 following a call by the Secretary upon orders from the President through individual notifications to each one of the members.

All of the Commission members personally attended all the meetings, either in person or by electronic means.

Besides its members, Appointments and Remuneration Commission meetings were attended by the Director of Human Resources and the Company's Internal Auditor following an invitation by the Commission President in order to discuss certain items on the Agenda. However, these individuals did not attend the deliberation and voting phases of the Commission meetings and all of their entries and exits are recorded in the meeting minutes.

6. SELF-EVALUATION

As mentioned above, the evaluation of the Board of Directors and its Commissions corresponding to fiscal year 2020 was conducted in fiscal year 2021 with assistance from the external advisor Ackermann International. It was confirmed that the consultant is not the same one that advises the Company on the appointments of directors and senior management or compensation systems

with their independence verified by the Appointments and Remuneration Commission.

The following areas were evaluated:

- The quality and efficiency of the operation of the Board of Directors.
- The operation and composition of its Commissions.
- Diversity in the composition and competencies of the Board of Directors.
- The performance of the President of the Board of Directors (Honorary President since June 25, 2020), the Executive Vice-President (Executive President since June 25, 2020), and the Secretary of the Board.

As regards the methodology used, the evaluation of the different Commissions was based on the report submitted by them to the Board of Directors, and for the evaluation of the Board of Directors, on the report submitted by the Appointments and Remuneration Commission. Moreover, as part of the process, the external consultant interviewed members of the Board.

It is worth noting that the evaluation of the operation of the Board of Directors and its Commissions coincides in general terms with the evaluations from the two prior years. In particular, the following aspects, among others, were very positively reviewed: the high technical qualifications and professional experience of the members, the fluid and transparent communication between members of the Board, the work climate and collaboration observed among the directors, the trust observed in the management team and the immense appreciation for and trust in the executive secretary.

As concerns the actions included in the action plan provided for by article 529 nonies LSC, the main areas for improvement identified were as follows: continuing to analyze the structure and composition of the Board in order to promote diversity in age and gender in the composition thereof, encouraging debate on the long-term strategy, transformation and vision, increasing the knowledge of the management team, improving how documentation is sent for meetings and reinforcing the information on risks.

In particular and with respect to the Commission, the directors find its operation during the fiscal year positive and believe it has performed its duties appropriately. As concerns the actions included in the action plan, the main recommendation from the directors referred to continuing to better plan meetings and the matters to be handled throughout the year.

Moreover, the Commission analyzed how to approach the evaluation of the Board and its Commissions in fiscal year 2021, agreeing that it would be done with collaboration from an external advisor as has been done in past years. KPMG was chosen since they offer the most appropriate methodology for the Company, focusing on a strategic vision and forward-looking approach, as indicated in section 4.e) above.

As a result of the Board's self-evaluation, an Action Plan was approved which included actions in the areas of meeting organization and procedures (i.e. dedicating a full-day meeting each year to structured debate on the medium and long-term strategy, maintaining greater contact with members of senior management and preparing a financial and non-financial risk map), the composition of the Board (i.e. reducing the number of directors, establishing a maximum age limit for directors and adding more female directors) and director training (continuing with the director training plan, holding at least 5 sessions dedicated to the sales process, general operations process, engineering organization, procurement policy and construction management). In mid-2021, the Commission reviewed the Action Plan and recalled the goals included in it.

7. CONCLUSIONS

Based on the foregoing, the Appointments and Remuneration Commission has evaluated its composition and operation during fiscal year 2021, considering that:

- The composition of the Commission has been adjusted to the provisions of the LSC and its internal rules, with members having the knowledge and experience appropriate to the Commission competences and the Company's sector of activity, with two of its members being independent directors.
- The Commission has met more frequently than the frequency established in Article 14 of the Board Regulations and whenever has been necessary in view of the matters to be discussed at the meeting, exceeding the minimum frequency of meetings established in Technical Guide 1/2019.
- All the meetings of the Commission have been attended by all its members.
- Finally, the Commission has deliberated on and passed resolutions on the matters within its competence in an informed manner and after discussions in which there has been a constructive dialogue and critical attitude, favoring the diversity of opinions, as provided for in Technical



Guide 1/2019. Likewise, when necessary, the Commission has been advised by external experts.

In accordance with the foregoing, the Appointments and Remuneration Commission has complied in general terms with the rules set forth in the Law and in its internal rules as regards composition, frequency of meetings, attendance and informed participation of its members, the Commission has also handled the matters within its competence, and its activity during the 2021 fiscal year has been very positively evaluated.

This Report on the functioning of the Appointments and Remuneration Commission during fiscal year 2021 was prepared by the Commission on February 17, 2022, and was submitted to the Company's Board of Directors at its meeting held on February 28, 2022.