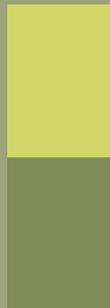
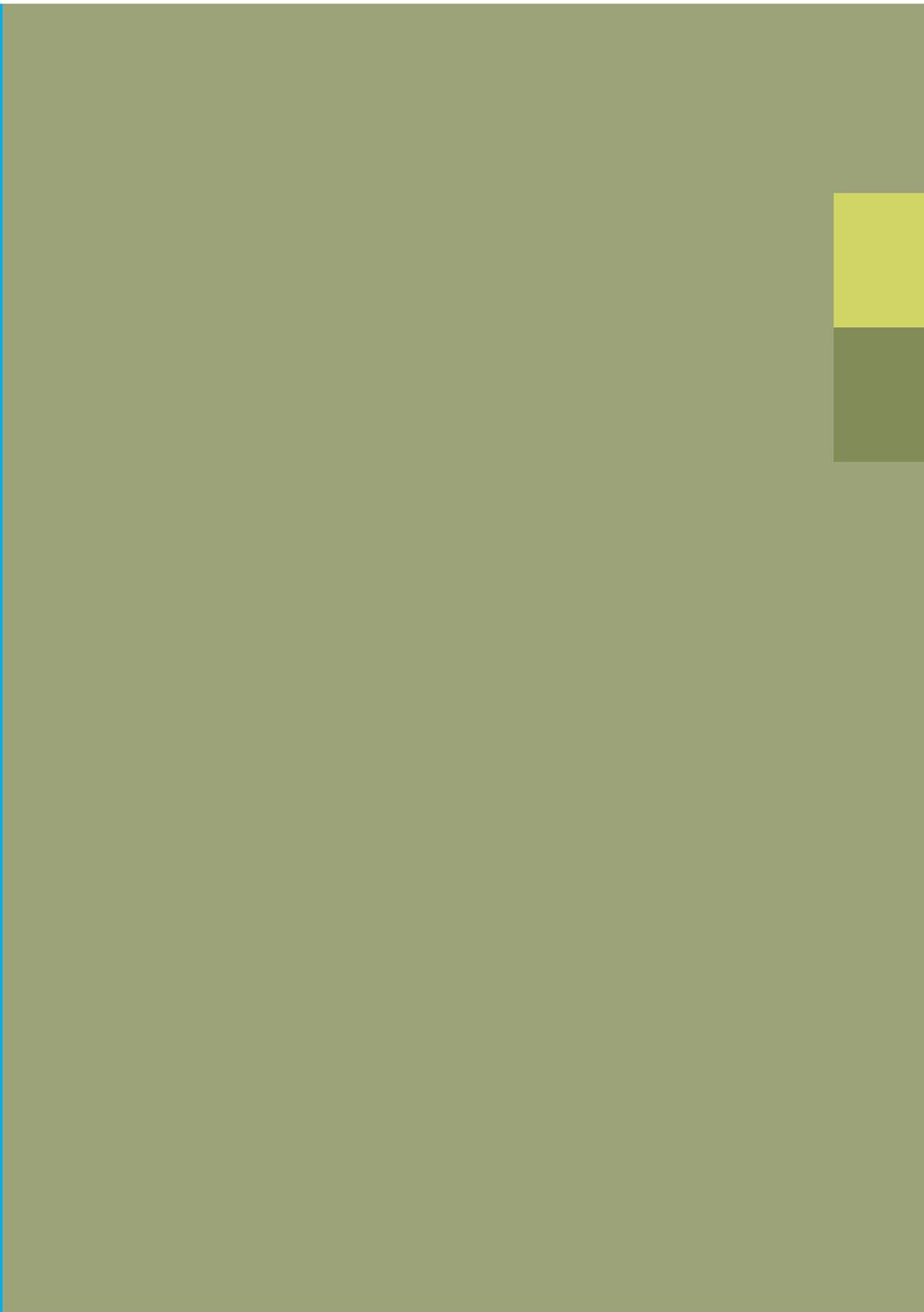


# STATEMENT OF NON- FINANCIAL INFORMATION

2018



GRUPO TUBOS REUNIDOS



## INDEX OF CONTENTS

INTRODUCTION	7	<b>SOCIAL COMMITMENT</b>	
LETTER FROM THE CEO	8	MANAGEMENT OF THE SUPPLY CHAIN	100
<b>OUR BUSINESS MODEL</b>		COMMUNITY	103
MAIN SCOPES	14	HUMAN RIGHTS	106
PROPERTY AND LEGAL FORM	19	FISCAL FINANCING	108
ETHICS AND INTEGRITY	20	CUSTOMERS	110
STRATEGY AND RISK MANAGEMENT	23	<b>COMMITMENT TO THE FIGHT AGAINST CORRUPTION AND BRIBERY</b>	
GOVERNANCE	24		115
MATERIALITY ASSESSMENT	35	<b>PARAMETERS OF THE REPORT</b>	
<b>COMMITMENT TO PEOPLE</b>		ENTITIES INCLUDED IN THE CONSOLIDATED	
HUMAN CAPITAL MANAGEMENT	44	FINANCIAL STATEMENTS	123
ABOUT EMPLOYMENT	45	REPORTING FRAMEWORK USED	124
ORGANIZATION OF THE WORK AND SOCIAL RELATIONS	52	TABLE OF CONTENTS OF LAW 11/2018	125
HEALTH AND SAFETY	60		
TRAINING	69		
COMMITMENT TO EQUALITY	72		
<b>COMMITMENT TO THE ENVIRONMENT</b>			
ENVIRONMENTAL MANAGEMENT	78		
SUSTAINABLE USE OF RESOURCES	83		
CLIMATE CHANGE	88		
POLLUTION	91		
CIRCULAR ECONOMY AND PREVENTION AND WASTE MANAGEMENT	92		
BIODIVERSITY	95		



## INTRODUCTION

This statement of non-financial information is part of the Consolidated Management Report for financial year 2018 of **Tubos Reunidos S.A.** and has been prepared to comply with the requirements set out in Law 11/2018 of 28 December 2018, amending the Commercial Code, the revised text of the Capital Companies Act approved by Royal Legislative Decree 1/2010, of 2 July, and Law 22/2015, of 20 July, on Audit of Accounts, in matters of non-financial information and diversity.

In its preparation, the Guidelines on the presentation of non-financial reports of the European Commission (2017/C 215/01) derived from Directive 2014/95/EU and the provisions of the Global Reporting Initiative Standards (GRI Standards) have been taken into account.

In this context, through the statement of non-financial information, **Tubos Reunidos** aims to inform on environmental, social and staff issues, related to human rights and to society that are relevant to the Company in the performance of its own business activities.

To carry out this report and select its contents, the results of the materiality analysis carried out by **Tubos Reunidos** in 2017 have been taken into account (see "Materiality Assessment" section). In this way, for each issue suggested by Law 11/2018, the degree of relevance to the company, the associated policies, the related risks and the reference indicators used for its monitoring and appraisal are taken into account.

Finally, as indicated by Law 11/2018 on non-financial information and diversity, this document is subject to verification by an independent provider of verification services.



## LETTER FROM THE CEO

In **Tubos Reunidos**, it is our mission to ensure the future of the Group in the long term and, to this end, we integrate the concepts of **sustainability** in the values of our Company and in the management processes as the key factors for our success. **Tubos Reunidos** exists to serve its customers, shareholders, employees and institutions through **excellence** in safety, quality, services, innovation and competitiveness in the manufacture of seamless pipes for consumption around the world.

We have worked on the transformation of **Tubos Reunidos** in 2018 with our **Transformal360° Value Creation Plan**, a necessary step in a changing environment and affected by one of the major crisis experienced in the history of the sector as a result of the strong drops of the price of oil in 2015 and 2016. Improving our competitiveness and the commitment to added value and technological differentiation are key factors in our change to ensure our viability.

Our human teams and our excellence in management processes are what make **Tubos Reunidos'** sustainability a reality. The **training and qualification** of our workers has been once again a key aspect of our management in 2018. Specifically, involving as many Group employees as possible for their active contribution to obtaining improvements in all areas of the company that allow an increase in our profitability. We have trained the teams in **the best practices of the sector** for their implementation in the Group, helping them to develop their skills and experience through active participation in the improvement initiatives of the project, through the advice of outside experts to the Company. The results of the **Transformal360° Plan** have reached **54.5% of the target** thanks to the contribution of our human teams.

With the implementation of **Transformal360°** we have strived to incorporate the best practices into **Tubos Reunidos**. The **sustainability criteria** has been in our objectives in all the improvement processes implemented: in the optimisation of purchases, consumption, technical and production processes, management of working capital and general systems, we have aimed to reduce the consumption of raw materials and energy, reduce inventories, improve productivity and employ the highest quality of service and technology in the processes.

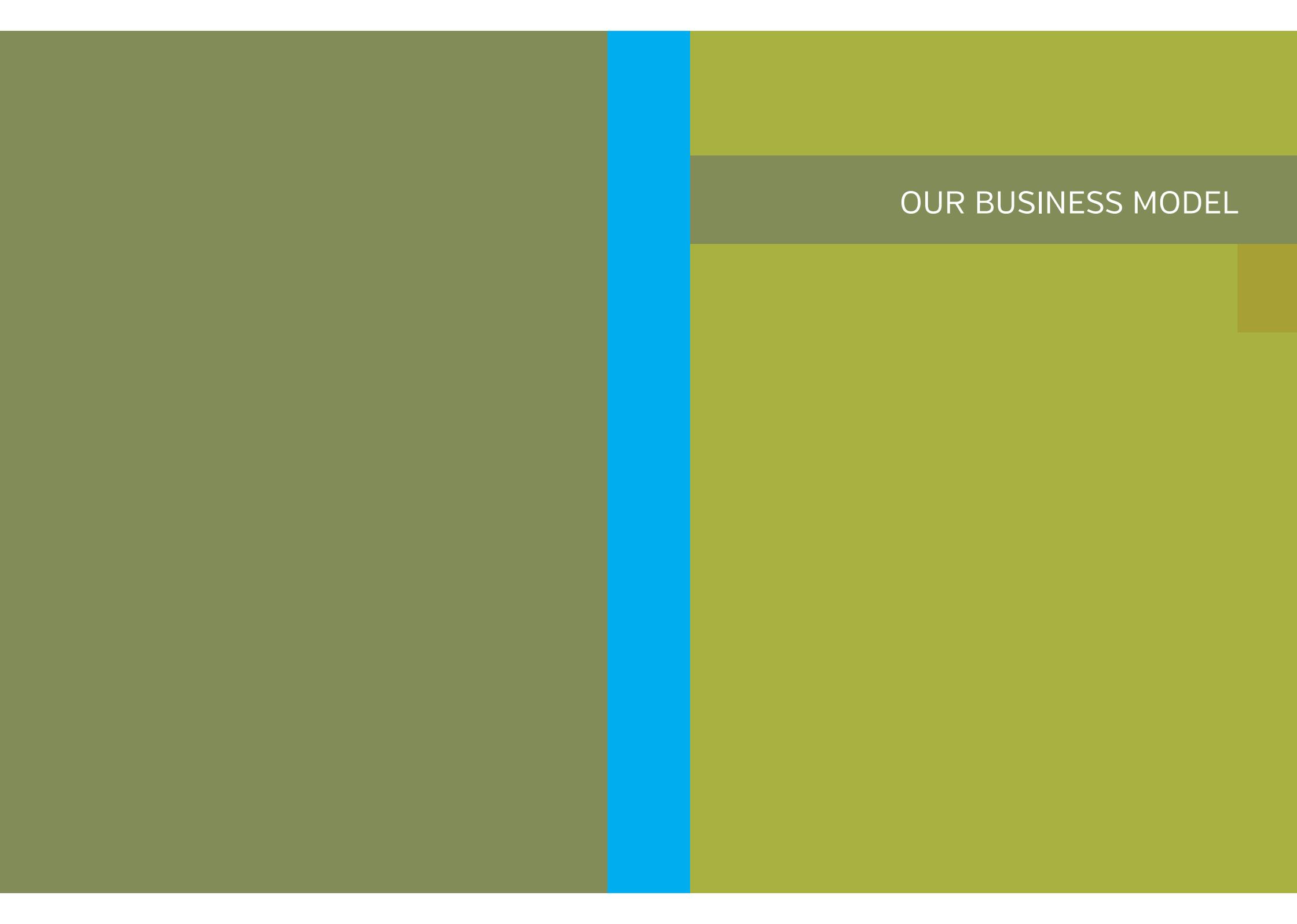
Our continuous investments in products and processes, together with the development of **cutting-edge solutions** are the cornerstone of our strategy and differentiation. It allows us to offer our customers the most efficient solutions in a constantly developing environment that requires solutions with more demanding and also efficient features in terms of costs. We have consolidated the development of products in 2018, for which we have been training in recent years: we have had a significant growth in our sales of casing BTX pipe with significant advantages in its application in shale wells in North America, we have served our contract in Africa of OCTG pipes with premium thread from our Tubos Reunidos Premium Threads plant and we have continued to deliver special dimension pipes in alloyed and stainless steels for highly specialised uses.

Likewise, we have actively worked to **support the European** seamless pipe industry to collaborate and contribute to the sustainability of the sector. In this sense, we have actively taken part in the most relevant organisations and, as a result of our commitment and historical presence, **we obtained the presidency of the ESTA** [European, Steel Tube Association] in 2018 to represent, defend and collaborate to advocate for the interests of the industry and in the development of improvements in the sector worldwide.

It is part of our own values to prioritise sustainability criteria in **safety and care issues related to the environment** in the Group's production facilities, both in the most historic ones and in those that have been incorporated into the Group in recent years (Tubos Reunidos Premium Threads in Álava and RDT in Houston, Texas).

Transparency and data-based management are also part of our objectives and means towards the sustainability of the Group. In this report we highlight the indicators against which we measure our results and sustainability objectives.

Carlos López de las Heras  
Managing Director



## OUR BUSINESS MODEL



Tubos Reunidos has over 125 years of history and continuous development in the search for maximum competitiveness. We are a global company consisting of more than 1,300 people, with a presence in more than 100 countries in all continents, a world leader in premium products and services, committed to innovation and the constant search for new answers to the needs requested by our customers, whom we have always placed at the centre of our activity.

## DESCRIPTION OF THE BUSINESS

### MAIN SCOPES

	2018
Tons of pipe sold	212,944 tons
Net turnover amount	342,512 thousand euros
EBITDA	18,615 thousand euros
Operating profit	[30,987] thousand euros
Net results	[34,427] thousand euros
Net results Spain	[31,074] thousand euros
Net results US	[3,353] thousand euros
Total assets	527,384 thousand euros
Net worth	105,121 thousand euros
Net financial debt	218,333 thousand euros
Staff	1,351 employees

### ACTIVITIES, BRANDS, PRODUCTS AND SERVICES

Tubos Reunidos manufactures, processes and markets seamless steel pipes in different qualities of steel and in a range of dimensions that cover a broad spectrum of potential market demands.

These are the main business units, brands, products and services of the Group:

- **Tubos Reunidos Industrial S.L.U. (TRI) (\*)**: Manufactures seamless alloy or carbon quality steel pipes with dimensions between 26.7 and 180 mm outer diameter (hot rolled) and between 18 and 120 mm outer diameter (cold rolled) at lengths of up to 24 and 27 metres respectively.
- **Productos Tubulares S.A.U. (PT) (\*)**: Manufactures hot-rolled seamless steel pipes in qualities of alloy and carbon, stainless, duplex and nickel-base alloy steels, with dimensions between 190 and 660 mm outer diameter and wall thicknesses of up to 125 mm.
- **Aceros Calibrados S.A.U. (ACECSA)**: Factory for finishing cold-drawn seamless steel pipes with outer diameters between 6 and 60 mm.
- **RDT Inc.**: located in Houston (Texas, USA), it processes, threads and/or completes, with special thermal processes, the pipeline destined to the oil sector "Oil Country Tubular Goods" (OCTG). Holds the patent for the connection SemiPremium BTX.
- **Tubos Reunidos Premium Threads S.L. (TRPT)**: together with Marubeni Itochu Steel Inc., it is an API RCT pipe threading unit and special OCTG pipe manufactured in TRI with the premium JFE Steel Corporation license threads.

- **Tubos Reunidos Services S.L.U. (TRSV)**: Produces and markets prefabricated elements, high pressure parts for boilers and equipment, tank heaters and tubing isometrics. It also markets and supplies packets made up of pipes and accessories for projects in different sectors.

- **Tubos Reunidos América Inc. (TRAME)**: markets the Company's products in the USA and distributes from the warehouse located in Houston the OCTG pipe sent from the TRI plant.

(\*) The two leading factories (TRI and PT) have an integrated production process, i.e. each one has its own steel mill to make the raw materials necessary to manufacture stainless steel pipes and nickel base alloys.

## GEOGRAPHICAL PRESENCE AND MARKETS SERVED

The main production facilities are located in Spain (Tubos Reunidos Industrial, Productos Tubulares, Aceros Calibrados, Tubos Reunidos Premium Threads and the prefabricated plant Tubos Reunidos Services) and in the USA (RDT). The Group also has a marketing company (TR Services) in Spain and a distribution warehouse in the USA (Tubos Reunidos América).

The Group has its own branch offices in countries such as the USA, France, Italy, the Middle East, China, Indonesia, Mexico, Colombia and Cuba and has commercial representatives in another 26 countries, thus covering practically the entire international market given that our products are exported to over 80 countries.

The catalogue of products and services covers the tubing needs for different sectors of activity such as Oil & Gas; Refining; Chemical and Petrochemicals; Electrical Energy Generation and Industrial Services, amongst others.

The sales percentages of pipes for said sectors can be seen in the graphs below:

	2018
Oil & gas - OCTG	40%
Oil & gas - Piping	19%
Construction, mechanical, industrial	15%
Power generation, refining and petrochemical	26%

The activity of the production facilities of the Group in Spain has been focused on the export market, reaching, in 2018, 91% of total pipe sales.

By geographical areas, the evolution of sales of the Tubos Reunidos matches the situation and developments in global economic activity and in the sectors where its products have most presence. Distribution of piping sales amongst the geographical areas can be seen in the table below:

	2018
European Union	31%
North America (USA and Canada)	49%
Far East	9%
Middle East and Africa	7%
Other	4%

## SIGNIFICANT CHANGES TO THE ORGANISATION AND ITS SUPPLY CHAIN

### CHANGES IN OPERATIONS

After the sale in 2017 of ALMESA, the distribution subsidiary, **Tubos Reunidos** continued to consolidate its manufacturing and sales of seamless pipes, without significant changes in the organisation and corporate structure of the Group.

### CHANGES IN THE STRUCTURE OF THE SHARE CAPITAL

During financial year 2018, one of the Group's reference shareholders, Alantra Asset Management SGILC S.A., has informed the National Securities Market Commission (CNMV by its acronym in Spanish) of the reduction in its stake to reach 4.99% on 31 December 2018. No other significant changes have taken place during the financial year. For more information on this subject, see section "Property and legal form".

### CHANGES IN THE SUPPLY CHAIN

The Group has made a significant effort in the search for suppliers of raw materials monetised in US dollars, in order to minimise exposure to the variation of the dollar exchange rate.



## PROPERTY AND LEGAL FORM

The share capital of **Tubos Reunidos S.A.** as at 31 December 2018 was €17,468,088.80, represented by 174,680,888 shares of €0.10 of nominal value. There are no differences of class or series in the shares and all grant the same rights.

Said shares are accepted for official quotation on the Stock Exchanges of Bilbao and Madrid. Since 1 July 2005, they have been listed on the continuous market of the Spanish Stock Exchange Interconnection System (SIBE) of the Madrid Stock Exchange.

The shareholders with direct or indirect significant holdings as of 31 December 2018, considering the threshold of 3% established by Royal Decree 1362/2007, of 19 December, are as follows:

BBVA Group	14.87%
Concerted action Family Zorrilla-Lequerica Puig	10.22%
Mr. Joaquín Gómez de Olea Mendaro	6.56%
Alantra Asset Management SGILC,S.A. (Managed funds)	4.99%
Ms. Carmen de Miguel Nart	3.82%
Mr. Emilio Ybarra Churruca	3.33%
Mr. Santiago Ybarra Churruca	3.33%

During financial year 2018, Alantra Asset Management SGILC S.A. has informed the Regulatory Agency of the reduction of part of its participation in **Tubos Reunidos**. At the close of financial year 2017, its participation reached 9.04%.

## ETHICS AND INTEGRITY

### VALUES, PRINCIPLES AND STANDARDS OF CONDUCT

Legality and ethics are at the heart of the Tubos Reunidos strategy, in its business model and in the decision making chain.

The objectives of compliance form part of the company's strategy and together with the values, principles, standards and norms of behaviour of the Group, can be seen in the **Code of Ethical Conduct for Administrators, Directors and Employees** of 3 May 2016, which not only prohibits criminal conduct, but also behaviour that infringes integrity, honesty and respect, in short, the values of the company and of humanity in general.

The Code indicates that the claim channel can be reached at [canaldedenuncias@tubosreunidos.com](mailto:canaldedenuncias@tubosreunidos.com), and establishes a set of principles and guidelines for conduct geared towards ensuring ethical and responsible behaviour of the professionals of the Group when carrying out their activities. These principles and guidelines are applicable to all the professionals of the Group, regardless of their level in the hierarchy, their geographical or functional location and the Group company where they work.

The **Independent Control Body**, which is collegiate and internal, is in charge of ensuring the implementation of the code, the monitoring and compliance of the prevention model. Anyone may contact that body to report possible unlawful acts. It consists of the chairman (the secretary of the Council), the secretary (a member of the legal advice team), and its members (the chairman of the Audit Committee, and the financial and control director).

Also, in addition to this Code of Conduct, the "**Legal Compliance Programme**" of Tubos Reunidos is also integrated into its **Criminal Responsibility Prevention Plan**, dated 2 February 2016, which contains measures that implement in practice the concern of Tubos Reunidos from an ethics and legality standpoint.

The purpose of the Criminal Responsibility Prevention Plan is to establish measures that prevent the commission of crimes within the scope of the Group and satisfy the provisions of art. 31 bis of the Criminal Code approved in Organic Law 1/2015, of 30 March, regarding the exemption of criminal liability of the legal person. The Plan includes a risk map, implements a number of measures and procedures, establishes the Independent Control Body responsible for its implementation, establishes a whistle-blower channel, a disciplinary regime, and a personnel training and awareness policy. In addition, the **Internal Code of Conduct** of the Group is in force and must be complied with as of 30 September 2003, by all the directors and members of the Company's Board of Directors.

Tubos Reunidos thus has a firm commitment, laid down in said documents, to ethical principles, good corporate governance and transparency. The aspiration of the organisation is for its conduct and that of the persons linked to the Group, including all the participants in the value chain, to respond to and respect generally accepted ethical principles and concepts of social accountability alongside the legislation currently in force and the corporate governance system. The organisation exercises suitable control over the activities of its managers and employees and the governing body has adopted an organisational and management model appropriate for the size and activities of same, which includes the Code of Ethical Conduct and the Criminal Liability Prevention Plan and the Internal Code of Conduct, with effective preventive measures.

This commitment to ethics and good governance is in turn transmitted to those third parties with whom the Group is related via a series of initiatives, including the insertion of clauses in contracts with suppliers that require them to have a compliance system and to respect the Code of Ethical Conduct.

### ADVICE AND ETHICAL CONCERNS MECHANISMS

There are internal and external procedures on advice to favour ethical and lawful conduct, and channels for reporting behaviour contrary to ethics, legality, or that affect the integrity of the organisation, through which any employee, or third party (customer, supplier, etc.), can lodge a complaint or query. Advice can be requested about whether a certain type of conduct is ethical and information about concerns relating to unethical or illegal conduct and the integrity of the organisation.

Since its establishment, the Independent Control Body has established a global framework of operation through the definition and monitoring of an ethics and compliance system.

The compliance system of the Group involves regular risk assessments, training, dissemination and communication, an ethics inbox, complaints investigation and corrective and disciplinary measures. The main aim of the compliance system is to further the activities of the organisation in accordance with ethics and current legislation, through a set of procedures and activities designed to prevent, detect and react to irregular activities, fraud or acts against the Code of Ethical Conduct of the Group or current regulations.

One of the essential elements of the compliance system is detection and/or monitoring mechanisms that check that the controls and prevention activities developed within the Group are effective. These mechanisms include **ethical channels** that are configured as transparent tools to report conduct that might involve irregular conduct or acts that are illegal or go against the standards contained in the Ethical Code of Conduct. These channels may be used for queries about points relating to the interpretation of and compliance with the ethical code. Any information received via these channels is treated as confidential.

The whistle-blower channel of the Tubos Reunidos Group is established in clause 7 of the Code "**Channels for Communication and Complaints**", which enables conduct, actions or facts about managers or employers that involve infringements of the same to be reported. The reports of behaviour against the code can be directed to the following e-mail address [canaldedenuncias@tubosreunidos.com](mailto:canaldedenuncias@tubosreunidos.com). This is a mechanism that can be used by anyone in a confidential manner and any possible reprisals are prohibited. Management of the ethical inbox is the responsibility of the Independent Control Body.

Information about the whistle-blower channel is permanently available and accessible on the web page of the Group in the section "Our Values".

The complaint channel was given more visibility in 2018 on the websites of Tubos Reunidos, Tubos Reunidos Industrial and Productos Tubulares.

Throughout 2018, no communications (queries or complaints) have been received through the established channels.

## CONFLICTS OF INTEREST

The Company has approved a set of **Internal Regulations of Conduct**, which were sent to the Spanish Securities and Investments Board and is now public, to which the following are subject:

- The persons defined as Administrators, along with the Secretary and, when applicable, the Vice-Secretary, whether they are Administrators or not.
- The CEOs, Managers and members of the management teams.
- External advisers, understood as being those natural persons or legal entities that provide financial, legal, advisory or other services of any kind that give them access to confidential information.
- Any person included in the scope of application of the Regulations by decision of the Board of Directors as a result of a proposal lodged by the Secretary or any member of same.

The persons subject to this regulation must inform the Secretary of the Board about any possible conflicts of interest to those who are affected by their family relationships, their personal assets or for any other reason. A conflict of interest due to family relations shall not be regarded as taking place when the blood relationship exceeds the fourth degree of consanguinity or the second degree of affinity.

A possible conflict of interest as a result of personal assets may be considered to exist when it arises in relation to a company in which the person has more than a 5% participation in the capital.

Said information should be kept up to date and should include any modification or termination of situations previously reported along with any new conflicts of interest.

Any new information should be reported within 15 days and in all cases prior to any decision that might be affected by the possible conflict of interest.

In the event of any doubts about the existence of a conflict of interest, the person concerned shall inform the Secretary of the Board, who, if he deems it necessary, shall submit the matter to the Board of Directors.

The Audit Committee of **Tubos Reunidos**, among other responsibilities, informs the Board of related-party transactions, as set out in the provisions of Article 21 of the Regulations of the Board, which expressly attributes said function to it. If the transaction affects persons subject to the Internal Code of Conduct, and conflicts of interest may arise from these related operations, the above shall apply, and the Secretary of the Board shall raise the matter to the Board of Directors to adopt the appropriate decision in this regard, without prejudice to the role attributed to the Audit Committee.

The Audit Committee issues an annual report on the operations with related parties that have taken place during the financial year, a report that is part of the minutes of the corresponding meeting.

It is worth noting that the applicable regulations for listed companies make it mandatory to report on significant shareholders, members of the Board of Directors and Upper Management (when applicable) via different documents [Report of the Consolidated Annual Accounts, Annual Report of Corporate Governance, specific notifications to the Spanish Securities and Investments Board, etc.], for situations or operations involving a conflict of interest, related operations, share positions or dealings and what they represent in terms of participation in the Company, takeover bids, shares held by Board Members in other companies with a similar corporate purpose or in other listed companies, etc.

## STRATEGY AND RISK MANAGEMENT

### MAIN IMPACTS, RISKS AND OPPORTUNITIES

The activities undertaken by the companies that make up **Tubos Reunidos** are subject to the customary contingencies of any business where industrial transformation takes place and are therefore exposed to risks that can impede or hinder the company from achieving established objectives. None of the risks are severe or exceptional, beyond those that inherent to the business itself. The Group has defined four categories of risks and has established a **Risk Control System** adapted to each of these categories:

- **Strategic Risks:** those that are regarded as key risks directly related to strategic decision making.
- **Operational Risks:** those that affect operational management in each and every area of business activity.
- **Risks of reliability of the financial economic information:** directly affect the information reported to the Organisation and/or third parties.
- **Compliance Risks:** they affect compliance with internal or external regulatory standards (environmental, labour, legal, fiscal, etc.).

Manuals of Procedures, Integrated Management Systems, period and regular internal and external audits have been developed for each of them, which allow to:

- Identify and assess the key risks in each business area.
- Know the risks assumed and the risks to be avoided.
- Establish internal and external control systems.
- Draw up action plans required to mitigate the identified risks.

The activity of **Tubos Reunidos** has a multinational nature, just like its customers, which entails foreign currency exchange rate risks. To reduce such risk, the Company tries to obtain a natural netting of the exposure. In the case of residual risk, it carries out operations with derivative instruments in line with the agreed internal policies.

The Group's activity is related to the price of oil and gas, which greatly determine the volume of demand. Geopolitical conflicts also impact the results.

**Tubos Reunidos** uses raw materials for the manufacture of pipes that are subject to price volatility derived from supply conditions, political and economic variables and other external factors; this risk is not covered by the Group.

In 2018 the market background has continued to be labelled by the transformational change that the sector is undergoing, with a high overcapacity, a large part of it on the back of low-cost manufacturing countries, greater demands from customers that, with technological advances in its facilities, request greater benefits to the pipes, and price pressures that imply a lower profitability. This environment is generating changes in the business models of pipeline manufacturers; companies are executing radical plans for greater efficiency, closing unprofitable capacity and opening new capacity in more competitive zones, developing new solutions for products and services that enable differentiation and better positioning in the market.

In a context marked by transformational change that the sector is experiencing, Tubos Reunidos started its Value Creation Plan Transforma|360° in 2017, that has continued being implemented during 2018.

The Transforma|360° Value Creation Plan entails the obtention of competitiveness and competitive positioning improvements through the implementation of best practices in commercial excellence, efficiency in the manufacturing and technical processes, reduction and optimisation of supply processes, reduction of working capital needs, reduction of investments and adjustment of the profitability criteria required to the same. The implementation risks of the plan include the management of change and the possible social conflict that the Company tries to minimise.

Additionally, in 2018, the United States administration has applied protectionist measures on steel imports, under Section 232, including seamless steel pipes. From 1 June 2018, Tubos Reunidos must pay a tariff of 25% of the value of its exports to the US market, which has had a significant impact on profitability.

The deterioration of the cash generation capacity of the Group's business in the sector and under the protectionist measures in the US, has led to an increase in the Company's leverage ratio. This way, Tubos Reunidos began adapting its business plan and adapting its financing structure to reinforce its growth objectives and improve its operational development.

## GOVERNANCE

### GOVERNANCE STRUCTURES

Tubos Reunidos is a company that is listed on the Spanish securities market (Spanish Stock Exchange Interconnection System or SIBE), to which the special provisions established in the Spanish Capital Companies Act on corporate governance apply. As a listed company, it is subject to regulations and supervision of the National Securities Market Commission (CNMV by its acronym in Spanish). Therefore, with regard to Corporate Governance, the Company presents and sends the Annual Corporate Governance Report and the Annual Report on Remuneration of Directors to the CNMV and the market in general.

The General Shareholders' Meeting is the supreme governing and administrative body of the Company. Except for those matters reserved by law and the Articles of Incorporation for the General Shareholder's Meeting, the Board of Directors is the maximum decision making body of the Company after the General Shareholders' Meeting.

The Board of Directors appoints and constitutes an Executive Committee as well as non-decision making Supervisory Committees: an Audit Committee and an Appointments and Remuneration Committee.

Decisions about economic, environmental and social issues correspond to the Board of Directors or, when applicable, to the Executive Committee, without prejudice to any prior analysis of specific matters and proposals by the Supervisory Committees.

Tubos Reunidos had an executive chairman from 1 January to 15 October 2018, date in which he became a non-executive chairman and a CEO of the Group, considered the highest executive officer.

### EXECUTIVE-LEVEL RESPONSIBILITY FOR ECONOMIC, ENVIRONMENTAL AND SOCIAL ISSUES

The Company has an Executive Committee at the executive level, which until 15 October 2018 was chaired by the executive chairman of the Board, and from that date onwards by the Group's CEO.

The responsibility for economic, environmental and social topics is respectively assigned to the persons who hold the Directorships of Finances and Management Control, the Directorships of the Tubes Division and Technology, Quality and the Environment and the Directorship of Human Capital Management.

Since the publication of the new organisational chart of the Company, on 1 November 2018, the responsibility for the coordination of economic issues lies within the Management and Finance Control Division, the coordination of environmental issues in the Management of Technology, Quality and Environment, and, within, it is undertaken by the Quality and Prevention, Environment and Certifications Systems section. Responsibility in social matters lies within the Industrial Directorate of Tubos Reunidos Industrial and the Industrial Directorate of Productos Tubulares, which undertake the operational management of each of the plants with their own productive means. The persons occupying said posts have the responsibility to regularly report to the chief executive, and also regularly report directly to the Board of Directors.

### COMPOSITION OF THE HIGHEST GOVERNANCE BODY AND ITS COMMITTEES

On 31 December 2018, the Board of Directors was made up of 10 members, of which 6 are nominee directors, 3 are independent and 1 is a non-director secretary.

The Executive Committee is configured by 5 members, with representation of all types of Directors.

The Audit Committee is made up of 3 members, with a majority of Independent Directors as required by legislation currently in force.

The Appointments and Remuneration Committee is also made up of 3 members, 2 of which are independent as required by legislation currently in force and who have a majority.

The Chairpersons of both Supervisory Committees are Independent Directors.

The composition of the Board of Directors of Tubos Reunidos on 31 December 2018 is below.

Category of Director	Committee	Representative	Significant shareholder represented by	Date of first appointment	Date of last re-election
Mr. Jorge Gabiola Mendieta - Chairman					
Independent	Delegate Audit and Appointments and Remuneration			30/05/2013	22/06/2017
Mr. Emilio Ybarra Aznar - Vice-chairman					
Nominee	Delegate		Mr. Emilio-Ybarra Churruca	16/08/1999	22/06/2017
Mr. Alfonso Barandiarán Olleros - Director					
Nominee			Mr. Joaquín Gómez de Olea Mendaro	27/09/2013	22/06/2017
Mr. Enrique Migoya Peláez - Director					
Nominee	Delegate and Audit		Banco Bilbao Vizcaya Argentaria, S.A.	31/05/2018	
Ms. Ana Muñoz Beraza - Director					
Independent	Appointments and Remuneration (Chairwoman)			07/05/2015	
Mr. Cristóbal Valdés Guinea - Director					
Nominee	Delegate		Joint action Grupo Zorrilla Lequerica Puig	27/02/2018	27/06/2018
Mr. Juan María Román Gonçalves - Director					
Independent	Audit (Chairman)			22/06/2017	
Ms. Leticia Zorrilla de Lequerica Puig - Director					
Nominee			Joint action Grupo Zorrilla Lequerica Puig	29/06/2004	22/06/2017
QMC Director Ships, S.L. - Director					
Nominee	Delegate and Appointments and Remuneration	Mr Jacobo Llanza	Alantra asset management SGIIC, S.A.	08/05/2014	08/05/2014
Ms. Inés Núñez de la Parte - Non-Director Secretary					
				27/02/2018	15/10/2018

Significant posts and/or undertakings of the Directors:

- Mr. Emilio Ybarra Aznar is Director of the listed company Elecnor, S.A.
- Ms. Ana Muñoz is a board member of the listed company Natra S.A. and individual representative of the board member Pizmagna Servicios de Consultoria S.L. in the unlisted company Laninver SHC, S.L.
- QMC Directorships, S.L. is the managing legal entity of Cie Automotive, S.A. and Adveo Group International, S.A.
- Mr. Juan Maria Román Gonçalves is Director of the listed company Global Dominion Access, S.A. and of the unlisted company E. Erhardt y Cia, S.A.

The Company is not aware of any major commitment of the members of the Board of Directors, or if they are affiliated to under-represented social groups.

The competences of each member of the Board appear in the profile of each one shown in the Company website, in the section Shareholders and Investors-Board of Directors.

The Board of Directors, in the first meeting held in 2019, deemed it appropriate to appoint the chairman, Mr Jorge Gabiola, as "other external", due to the functions assumed in his new role.

## CHAIRMAN OF THE HIGHEST GOVERNANCE BODY

From 1 January to 15 October 2018, the Chairman of the Board of Directors has also been the first executive of Tubos Reunidos, as Executive Chairman. On 15 October, the Board appointed a new chairman, without executive functions.

The Executive Chairman has the following functions and responsibilities in the area of management of the organisation:

- Further development of the business carried out by the Company as the chief executive.
- Be actively involved in the design and execution of a solid business strategy.
- Execute the business plan and budgets for the Company.
- Ensure that there is a high level of executive leadership in the Company and the management team.
- Provide the board of directors with specific information about the progress of the Company's business, facilitating monitoring of affairs within his scope and contributing towards the development of his functions with the maximum efficiency and effectiveness.
- Objectively assess the development of the Company's business and set directives for guidance in accordance with the habitual practices of the sector.
- Ensure that shareholders are provided with adequate and sufficient information to control management by the board of directors of the Company's business.

His capacity for the post is a result of his training and professional experience. The Chairman has occupied a post of great responsibility until 15 October 2018 in important industrial sectors of the economy, such as the Steel Industry, Automotion and Energy. In 1995 he joined the steel industry as CEO of operations to lead the implementation of the Strategic Competitiveness Plan of CSI-Planos (Altos Hornos de Vizcaya and Ensidesa) and the subsequent privatisation. In 2000 he became the executive vice-chairman of the Plans Sector of the steel group Arcelor, after leading the integration of the three groups that were merged (Usinor-France, Arbed-Luxembourg, Arcelor Spain). In 2005 he

joined the Gamesa Corporación Tecnológica, taking on the post of CEO until 2009. He has also occupied positions of major importance in other companies such as Innobasque (Chairman), Ibermática (Non-Executive Chairman), Grupo Artetxe (Director) and is a member of the Council of Deusto Business School, the Board of Directors of the Instituto Vasco para la Competitividad, Orkestra and is Chairman of Femetal and the Comisión de Industria y Energía of the CEOE.

The new non-executive chairman has training, contrasted knowledge of the sector and professional experience for the performance of his position. Practising lawyer and graduated in Law by the University of Deusto, he started his professional career in the auditing division of Arthur Andersen and then moved on to the legal and tax department of the same company. In 1986 he joined Tubos Reunidos, where undertook various responsibilities, until he was appointed Secretary of the Board of Directors of the parent company in 1996, a position he held from 2009 to 15 October 2018 as an independent self-employed worker of executive nature with the Company. He is the secretary of the Delegate Committee, of the Audit Committee and of the Appointments and Remuneration Committee, and has been a Director of Tubos Reunidos from 30 May 2013 to the present. He has also been secretary and member of the Board of Directors of the companies of the Productos Tubulares Group and Almacenes Metalúrgicos. He is registered at the Official Registry of Auditors (ROAC) as non-practising.

## APPOINTMENT AND SELECTION OF THE HIGHEST GOVERNANCE BODY

The directors are appointed by the General Shareholders' Meeting, always on the suggestion of the Board of Directors, following a report from the Appointments and Remuneration Committee, or, in cases of early vacancy, by the Board of Directors by co-optation, also following a report from the Appointments and Remuneration Committee.

In accordance with article 19 of the articles of association, the Board of Directors shall consist of at least 5 members and a maximum of 14. In accordance with the Regulations of the Board, the Board of Directors should ensure that candidates with recognised competence, experience and prestige are selected. To this end, the Appointments Committee has the following functions assigned to it:

- Formulate the proposals for appointments, re-elections or separation of independent directors.
- Report the proposals for appointments, re-elections or separation of the other directors and directorial posts.
- Check each director and establish if they meet the requirements for appointment as executive, independent external director, external nominee director or other type of external executive when required.
- Evaluate the skills, knowledge and experience required in the Board and define the necessary functions and skills of the candidates to cover each vacant post and assess the precise time and effort required for them to effectively comply with their duties.
- Examine and organise in a suitable manner the succession of posts on the Board and the executive line to ensure that said succession is ordered and well planned.
- Issue an annual report about the members of the board and executive and how they have performed their duties.
- Establish a target level of representation for the least represented gender on the Board and draw up guidance documents on how to achieve said aim.

At the General Shareholders' Meeting of the Company, held on 27 June, 2018, as a result of the proposal of the previous Board of Directors and following a report from the Appointments and Remuneration Committee, the following resolutions, among others, were adopted regarding the Board of Directors, the highest governing body:

- Confirming the appointment as administrator by the co-optation system, as proprietary director, of Mr Cristóbal Valdés Guinea, appointment made by the Board of Directors at its meeting of 27 February 2018, to fill the vacancy due to the cessation of Mr Enrique Portocarrero Zorrilla Lequerica, and appoint him as director, in the role of proprietary director, for the maximum statutory term.
- Given that the 4 years of appointment have elapsed, following a report from the Appointments and Remuneration Committee, to re-elect QMC Directorships, S.L. as a member of the Board of Directors, for the maximum statutory term, as proprietary director.
- Keeping, for the time being, the vacancy in the Board of Directors due to the early cessation on 29 September 2016, of Mrs María Luisa Jordá Castro, who was appointed independent director of the Company, for the maximum term of 4 years provided for in the articles of association, at the General Shareholder's Meeting held on 7 May 2015.

## ROLE OF HIGHEST GOVERNANCE BODY IN SETTING PURPOSE, VALUES AND STRATEGY

Pursuant to the Regulations of the Company Board, the Board of Administration is responsible for ensuring that the corporate purpose is maintained, the general interests of the Company are protected and that value is created for the benefit of all the shareholders. Therefore, the criterion that must be applied at all times to the activities of the Board of Directors is to maximise the Company's value.

For the purposes of the above criterion, the Board should determine and review the business, commercial, industrial and financial strategies, the company planning and investment projects so as to obtain maximum profits at a reasonable risk.

However, the Board delegates day to day management of the Company to a Management Committee presided over by the Executive Chairman until 15 October 2018, and by the CEO from that date onwards, although powers that are legally or statutorily reserved for direct use by the Board or those necessary for responsible exercise of the roles of the Board may never be subject to delegation under any circumstances.

Maximising the Company's value is a necessary task of the Board of Directors in line with the requirements imposed by legislation currently in force, complying in good faith with explicit and implicit contracts entered into with workers, suppliers, financiers and clients and, in general, observing whatever ethical duties reasonably imposed as part of running a business.

## REMUNERATION POLICIES

The Company's statutory framework sets out that the position of administrator, in his capacity as such, is remunerated. The administrators receive remuneration made up of three cumulative items:

- **A fixed amount:** The fixed amount consists of an amount in cash and may be more for those directors who hold certain posts, according to the time, work and responsibilities they assume. This payment may be complemented by contributions to social welfare systems.
- **Expenses for attending the meetings** of the Board, Committees and Executive Committees of same: will consist of a cash payment per meeting received by directors, which may be higher for directors with posts in said committees or commissions, according to the time, work and responsibilities they assume.
- **A profit-sharing remuneration:** an amount equal to 0.5% of the net profits of the consolidated group and may only be received by the administrators after the legal reserves or the payments that are established under the articles of incorporation have been paid and after issuing the shareholders a minimum dividend of 4%. The profit-sharing remuneration is distributed in a linear fashion amongst all the directors, and all receive the same amount for this item.

Within the limits of the remuneration policy approved by the Company, the General Shareholders' Meeting may establish payment formulae for the administrators consisting of the issue of shares or rights to stock options, or whatever is referenced at the value of the shares. The Board of Directors is responsible for determining the form, amount and conditions in which said formulae shall be made effective.

The remuneration system is understood as established for each financial year of 12 months. The accrual of the payment shall be monthly in arrears, so that the payment of each administrator shall be proportional to the time that has worked in his post for which said remuneration has been established.

The above payments shall be understood as being without prejudice to the additional payments of board members for executive director's duties provided for in contracts they entered into in accordance with the provisions of article 249 of the Law. The contract describes the item for which payment may be made for carrying out their executive tasks, including, where applicable, possible compensation for early termination of said duties and the sums payable by the company for insurance premiums or contributions to savings systems. The contract complies with the remuneration policy approved by the General Shareholders' Meeting.

The payments mentioned before are compatible and independent of the payment of fees or salaries that can be demonstrated to the Company for the provision of services or a working relationship, whatever the case may be, that is based on a contractual relationship that is different from the one deriving from the post of administrator, which shall be subject to the legal system applicable to same.

The Company may contract a civil liability insurance policy for directors and managers.

Additionally, in the development of the abovementioned statutory framework, **Tubos Reunidos** has a **Remuneration Policy for Directors**, which was submitted for review and was approved by the General Shareholders' Meeting on 27 June 2018 as a separate item from the agenda of the Board of Directors, in compliance with article 529r of the Capital Companies Act, and which, together with the specific report issued for that end by the Appointments and Remuneration Committee, was made available to shareholders on the Company's website from the call of the General Shareholder's Meeting, without prejudice to the right of shareholders to request the handing over or free delivery.

Said remuneration policy will remain in force during financial years 2018, 2019, 2020 and 2021, without prejudice to the modifications or adaptations that the General Shareholder's Meeting itself may approve, as the case may be.

The general principles and foundations of said remuneration policy, identical to those of financial year 2017, are the following:

- Alignment with the interests of the shareholders, as a factor for the creation of long-term value of the Company.
- Moderation, balance and caution, in a way that rewards the level of responsibility, qualification and effective dedication, taking into account market references according to public information in this regard.
- Competitiveness, so that the remuneration becomes an incentive for the attraction and retention of the best professionals, in terms of level of responsibility and professional career, but without affecting their independence.
- Low weight of the variable components for external directors (proprietary and independent directors), which allows a cautious risk management in decision-making processes.
- Transparency in the remuneration policy.

Additionally, in the case of executive directors, the remuneration policy for the performance of their executive functions contains the following objectives:

- Aligning the remuneration policy with the strategy of the Company, so that the variable part offsets the achievement of the strategic objectives of the Company.
- Offering a remuneration that allows to attract, retain and motivate the most suitable professionals to achieve the objectives.
- Maintaining a reasonable balance between the different remuneration components: fixed short-term remuneration, annual variable remuneration and longer-term incentives.

It must be highlighted that, in accordance with these general principles, and taking into consideration the development of the Company's businesses, in 2016 the Board of Directors adopted the decision to apply a 25% reduction in the amount of the remuneration of the directors for their role, a reduction that has been maintained in financial year 2018.

In compliance with the statutory provision, the remuneration system of the directors for their supervisory and collegiate decision-making functions has been comprised of the following remunerations in 2018:

- Annual fixed remuneration for the role of member of the Board of Directors and proportional to the period of his/her mandate during the year.
- Fixed remuneration for the executive chairman of the Board of Directors until 15 October 2018, due to his status as director and which includes all remuneration items as such.
- Annual fixed remuneration in addition to the previous one due to its greater dedication to the member secretary/coordinator, later named non-executive chairman on 15 October 2018.
- Attendance fees for Board meetings and Committees. In the case of the chairmen of the Supervision Committees (Audit and Appointments, and Remuneration), the amount of the allowance, due to their greater dedication and tasks assumed, is double.
- A symbolic profit sharing of 0.5% of the net profits of the consolidated Group, provided that the legal reserve is covered and a minimum dividend of 4% has been recognised. This item has not been applicable since no consolidated net profit has been generated.

No compensation is foreseen for the termination of the duties of director as such, nor contributions to pension systems.

Additionally, Tubos Reunidos has a civil liability insurance policy for directors and managers.

In accordance with the provisions of article 529p, the maximum amount of remuneration to be paid to all directors in their capacity as such, adding all the aforementioned items, has been established in the Remuneration Policy approved by the General Shareholder's Meeting in a maximum amount of 800,000 euros. This amount is set as a maximum limit that is not necessary to use fully, but which aims to cover possible changes that may occur during the validity of the remuneration policy in the remuneration considerations regarding the responsibilities and services provided by each director.

This maximum amount has been stipulated according to the number of board members, so that if during the term of the Remuneration Policy the number of directors increases or decreases, within the minimum and maximum foreseen in the articles of association, the abovementioned amount shall increase or decrease proportionally.

Within this maximum amount, the determination of the remuneration of each director in his/her capacity as such shall correspond to the Board of Directors, which shall take into account the roles and responsibilities attributed to each director, the membership to the Board's committees and the other objective circumstances that it considers relevant. To this end, the Board of Directors shall take as a reference the corresponding proposal of the Appointments and Remuneration Committee.

Regarding the remuneration of the highest executive body, in Tubos Reunidos the only executive director in 2018 was the executive chairman of the Board until 15 October 2018, and his contract, which was signed and approved by the Board of Directors, included these remuneration items:

- A fixed remuneration for its executive status of 325,000 euros per year, an amount that may be reviewed annually by the Board of Directors at the proposal of the Appointments and Remuneration Committee.

- A variable payment of 50% of the abovementioned fixed salary, the annual amount of which shall be determined based on compliance with the annual objectives established by the Board of Directors at the suggestion of the Appointments and Remuneration Committee. No amount has been accrued for this item.

- The same life, disability and accident insurance that the Company has, in general.

- A multi-year variable remuneration linked to the development of the stock, which can be materialised in stock options, whose terms are summarised as follows:

- The basis of the Plan, which was approved by the General Shareholder's Meeting held on 22 June 2017, is 2,000,000 shares.

- The initial reference price is the average closing price rate of the shares in the thirty stock exchange sessions following the signing of the contract (1.00 euro).

- 50% is accrued in the second year, due to a difference in the share price, but due and payable in the fourth year.

- The other 50% is materialised at the end of the fourth year and can be settled by difference or in stock options.

- As a consequence of his cessation on 15 October 2018, no amount has been accrued or will be accrued for this item, with the stock options plan losing all its validity.

- The contract provided a compensation of an annual amount of the fixed salary in certain situations of early cessation, all of which for reasons different from non-compliance with the duties inherent to his position; since the cessation was voluntary in October 2018, no compensation was paid.

In order to determine the remuneration policy of the Board, we have analysed the criteria used and the policies of comparable listed Spanish companies, included in the remuneration reports of the directors published by two top-level consulting firms.

In regards to the relative importance of the variable remuneration items related to fixed remuneration, in the case of non-executive directors, the importance or specific weight of said concept is very low since the profit sharing is symbolic (0.5% of the net profits of the consolidated Group), and is also subject to the suspensory condition that the legal reserve is covered and a minimum dividend of 4% has been recognised.

Furthermore, it must be clarified that in 2018 no director has received any variable remuneration and the executive chairman, until 15 October 2018, has not accrued variable or any compensation for his cessation in October 2018, as pointed out above. On the other hand, the non-executive chairman of the Company appointed on 15 October has not been assigned any multi-annual remuneration or variable annual remuneration other than that of the other members of the Board, nor has any compensation agreed for the case of his cessation from his position.

None of the other directors currently occupying their posts has a compensation agreement for termination of their roles as director and do not have pension plans or benefits for retirement.

As it is a listed company, it presents and submits the Annual Report of Remuneration for Directors to the Spanish Securities and Investments Board and general market, in which the payment policy and the specific application of same are laid out.



## PROCESS TO ESTABLISH THE REMUNERATION

In accordance with the remuneration policy above, one of the advisory committees of the Board of Directors, the Appointments and Remuneration Committee, annually reviews the remuneration amounts by items, both for the directors and of the members of the Management Committee, performing the corresponding suggestions to the Board of Directors.

In its first meeting after being established, the Committee of Appointments and Remuneration agreed to contract external advisers to analyse the payments of the Board, carry out a comparative and market study and make the corresponding proposals, based on the current remuneration system of the Board of Directors.

Likewise, the Committee conducts an annual check of compliance with the objectives established for members of the Management Committee, and the applicable variable payment, which is then submitted to the Board of Directors for approval.

## STAKEHOLDERS' INVOLVEMENT IN REMUNERATION

In the Agenda of the General Shareholders' Meeting of the Company, the Annual Report in Remuneration of the Board is submitted to the Shareholders for their consideration, the text of which is made available beforehand and includes the remuneration policy of the Board and sums received individually by the Board members for each item.

It is worth noting these points discussed at the General Shareholder's Meeting of Tubos Reunidos held on 27 June 2018:

- The Remuneration Policy of the Directors of the Company, whose content was made available to the shareholders from the date of the call to the General Shareholder's Meeting, was approved by a majority of 99.12% of the shares with the right to vote and shall be valid for the three financial years following the one in which it was approved by the General Shareholder's Meeting, that is, for financial years 2019, 2020 and 2021.
- The Annual Report on Board Remuneration, the text of which was made available to the shareholders together with the other documentation of the General Shareholder's Meeting, was submitted to advisory vote, and approved by a majority of 98.99% of the shares with right to vote.

## MATERIALITY ASSESSMENT

### LIST OF STAKEHOLDERS

Tubos Reunidos has relations with a number of stakeholder on whom any change in the Group's activity might have an effect. Said relations should always comply with the Code of Conduct, which is based on ethical values.

Tubos Reunidos has as its essential value the creation of long-term sustainable value for its stakeholders, and is defined as a socially committed company towards human rights, ethics and integrity and good governance, as well as sustainable development.

There are many stakeholder groups in a group like Tubos Reunidos, but they have been divided into the following categories in order to carry out a more practical analysis:

Employees Company committees Shareholders and investors	Customers Suppliers Analysts
Credit institutions Regulatory bodies	Local communities Public administrations Training centres

## IDENTIFICATION AND SELECTION OF STAKEHOLDERS

Tubos Reunidos considers as stakeholders those that are influenced by the decisions and activity of the Company, and also those that are relevant to the operation and sustainability of its business. The management of the Group carries out an internal process to identify the stakeholders with whom the activities are related.

## APPROACH TO STAKEHOLDER ENGAGEMENT

Tubos Reunidos maintains contacts with stakeholders to identify potential risks and opportunities. Efforts are made in relations with stakeholders to respond as much as possible to the expectations or needs for information of different groups, using the principles of integrity, professionalism and transparency as a basis.

Said communications are conducted with the corresponding deadlines, formats and recipients and always comply with established legal provisions, guaranteeing respect for confidentiality and the privacy of data in its possession.

These are, among others, the communication channels used:

- Communication through the website.
- Intranet for communication with employees.
- Regular communication following the regulation with the representatives of the workers and works committees.
- Communication through the National Securities Market Commission (CNMV by its acronym in Spanish) according to the regulation and rules of transparency and good governance.
- Communication with the media through a communication agency.

## KEY THEMES AND CONCERNS MENTIONED

The relationship of transparency and dialogue that is maintained with the stakeholders sets out to create sustainable value and is a key factor for facing the challenges and opportunities that arise in the course of our activities.

Generally speaking, the most important topics discussed with stakeholders are as follows:

- Economic sustainability.
- Human capital management.
- Environmental management.
- Management of the supply chain.

## DEFINING REPORT CONTENT AND TOPIC BOUNDARIES

The definition of the contents of the current statement of non-financial information is based on the materiality assessment. Said assessment includes the interests of all the stakeholders defined by the Group to establish the most relevant internal and external topics.

## LIST OF THE MATERIAL TOPICS

The matrix of material topics presented below is an extension of the zone of greatest impact of the global matrix of material topics managed by Tubos Reunidos.

### Materiality assessment



## ECONOMIC SUSTAINABILITY

### EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY DISCLOSURE

Since its foundation in 1892, Tubos Reunidos has had the desire of being economically sustainable, and becoming a leading company for its surroundings. The Board of Directors and the Management Committee, led by the CEO of the Group, as first executive, is therefore responsible for managing the Company with the clear objective of ensuring the Group's continuity.

Since the end of 2014, Tubos Reunidos has been immersed in the worst crisis in its history caused by the sectoral situation that has entailed losses in financial year 2018 for the fourth consecutive year.

### THE MANAGEMENT APPROACH AND ITS COMPONENTS

The Group's Management Committee, led by the CEO, together with the Deputy CEO, the M&A and Transformation Department and the heads of strategic projects, are in charge of managing resources, means and analysing and implementing the strategies that they deem appropriate to ensure the viability of the Group and, therefore, ensuring sustainability over time. Similarly, each plant has its industrial director, who is in charge of the operational management of the same with his own productive means.



### ASSESSMENT OF THE MANAGEMENT APPROACH

Since the beginning of the crisis at the end of 2014, Tubos Reunidos has implemented cyclical and structural measures for costs reduction and business approach in the fastest growing markets and with the highest profitability to reduce the effects of the environment. During 2016, the Group completed the investments plan that had started in 2012 as a strategic pillar for future growth and sustainability. Nevertheless, the continued losses in 2015 and 2016 and the highly competitive market context and pressure on prices led Tubos Reunidos to carry out:

- A restructuring process of its financial debt to adapt future debt repayments to the estimated cash generation in the following years based on its strategic plan. This process concluded with the signing of a syndicated loan on 12 May 2017 with ten banks for a total of €207 million.
- The launch by the Group of its Transformal360° Value Creation Plan at the beginning of 2017, with a first diagnosis phase, a second planning phase and a third of implementation that began in the third quarter of 2017. Said plan sets out to improve sales activity, increase operational efficiency, improve productivity, gain flexibility and reduce capital investment needs. Over 300 initiatives were defined, involving more than 100 people from all areas of the organisation. The estimated execution period of the initiatives is 24 months and the aim is to obtain a sustainable EBITDA of €45 million on a base year.

During 2018, the results of the Transformal360° Plan have been positive as expected, however, the devaluation of the dollar, the higher costs of raw materials and especially the establishment of tariffs for exports to the United States under Section 232, effective as of 1 June 2018, have not allowed the Group to return to the blacks in 2018.

Against this backdrop, during the second half of 2018, Tubos Reunidos began a process of adapting its business plan to current market conditions in order to reinforce the growth objectives and improve the Group's operating performance.

This agreement aims to provide financial stability to the Company for the coming years and to take on the Business Plan adapted to the current environment.

COMMITMENT TO PEOPLE



Organisations are made of people, and people are Tubos Reunidos' main asset. Therefore, the training and qualification of workers has remained a key element of our management in 2018. We are a Group committed to our people that constantly invests in the improvement of professional talent in line with the strategic objectives of the organisation. We seek to generate satisfactory work environments where equal opportunities, safe work and respect for the environment are of the utmost importance.

## HUMAN CAPITAL MANAGEMENT

### EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY DISCLOSURE

In Tubos Reunidos, the management of human capital is aimed at **attracting, developing and retaining talent**, in order to provide the Company with the right people for the performance of its activity. We aim to ensure **efficiency, profitability and competitiveness** in a stimulating work environment that enables the constant improvement of the professional value of our workers, all in a **safe work environment and with respect towards the environment**.

Objectives:

- Preventing occupational risks, with a goal of zero accidents.
- Providing the company with the **right people**, in the right place at the right time.
- Promoting integration and a **cultural change** in the Company, gearing human capital management towards competitiveness, productivity and efficiency, through high performance.
- **Strengthening the organisational leadership** of management, contributing towards developing their management skills.
- Strengthening commitment, by alignment with the corporate culture, **professional development and communication**.
- Promoting a **social dialogue** with workers' representatives.

### THE MANAGEMENT APPROACH AND ITS COMPONENTS

In recent years, Tubos Reunidos has managed its human capital management on the following principles:

- **Ensuring the inclusion of qualified professionals** with values matching those of the Company.
- **Continuously training** our professionals and so ensuring that we have people who are fully prepared for their job.
- **Promoting mobility** and development within the Company to the extent possible, contributing, in addition, to our process of international expansion.
- **Increasing communication** by extending and improving our communication channels.

### ASSESSMENT OF THE MANAGEMENT APPROACH

The Group's companies have training plans that are assessed on a yearly basis.

**In 2018, over 14,488 hours have been invested on training, investing around 158,000 euros in external training. Within these hours there is a large investment in internal training, taking advantage of the know-how of the people who work in the Group.**

We also have internal communications systems in place that evolved over 2018 to reach the largest possible number of people. Information was sent to all the staff with issues of interest about the Company.

## ABOUT EMPLOYMENT

### INFORMATION ON EMPLOYEES AND OTHER WORKERS

In 2018 we have carried out a breakdown of staff data that provides a broad idea of the diversity of our workers.

Tubos Reunidos has completed 2018 with a total of 1,351 workers, of which 1,242 are men and 109 women. The majority of our staff, 1,257 people, is located in Spain, more specifically in the Basque Country, and the rest in the United States, where 94 people currently work.

Below is the template including different parameters that show that Tubos Reunidos has a staff with mostly permanent contracts, young and with full-time jobs.

Gender	Men	Women
	1,242	109

No. of workers by type of contract	Men	Women
Temporary contract [*]	14	3
Permanent contract	1,228	106

No. of workers by country	Spain	USA
Temporary contract [*]	17	0
Permanent contract	1,240	94

[\*] The number of temporary workers as of 31 December 2018 has been taken into account.

No. of workers by type of workday	Men	Women
Full-time contract	1,239	108
Part-time contract	3	1

No. of workers by professional category	Men	Women
Blue Collar	926	18
White Collar	210	56
Outside agreement	106	35

No. of workers by age and gender	Men	Women
Up to 30 years	58	6
Between 30-50 years	950	86
Over 50 years	234	17

## REMUNERATION

### ANNUAL TOTAL COMPENSATION RATIO

In 2018, the best paid executive of the Group received a salary that was 5.20 times more than the average salary of workers of the Company.

To calculate the annual total compensation ratio, we considered the average salary of all workers without including that of the best paid person, in our case we consider that in 2018 this person was the first executive of the group, Mr Guillermo Ulacia.

The following table displays the average remuneration during this financial year of the executives that make up the management team, as well as of those who have been part of the Board of Directors, at the closing date of the year, including variable remuneration, allowances, indemnities, payments to long-term savings forecast systems and any other income, disaggregated by gender.

Average remuneration of Executives and Directors			
Male Executives	Female Executives	Male Directors	Female Directors
€168,552	€125,000	€92,076 (*)	€56,500

(\*) This amount is reduced to 52,300 euros if the chairman's remuneration is not considered until 15 October 2018, for his executive functions.

**PERCENTAGE INCREASE IN ANNUAL TOTAL COMPENSATION RATIO**

In this financial year, the increase in annual total compensation ratio is negative, with a value of -4.01%. The reason behind this decrease is the reduction of the workforce, in a non-traumatic way that we have suffered throughout 2018, from 1,460 to 1,351 workers, that is, a reduction of 109 people.

**RATIOS OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE**

Tubos Reunidos establishes the remuneration of all the categories in the agreements mentioned in the section "Collective Bargaining Agreements" and none of them allows a different remuneration by gender in the same position.

For the ratio calculated in the case of Tubos Reunidos Services, the lowest salary [Madrid] has been considered as reference, of the three provincial agreements that apply [Barcelona, Cádiz and Madrid].

In the case of Group companies located in the United States - RDT and Tubos Reunidos América - both are governed by the laws of the State of Texas, which stipulates a minimum wage of \$7.25/hour. In these companies, the minimum wage that is applied for a low skilled and in-experienced occupation is 12 dollars/hour.

Company	Minimum wage company 2018	Minimum wage inter-professional 2018	Ratio
TRSA	30,615	10,303	2.97
TRI	29,529	10,303	2.87
PT	29,669	10,303	2.88
TRPT	16,000	10,303	1.55
ACECSA	23,944	10,303	2.32
TR SERVICES	13,006	10,303	1.26
TRAME			N/A
RDT			N/A

**RATIO OF BASIC SALARY AND REMUNERATION OF WOMEN TO MEN**

All Group companies are subject to a collective bargaining agreement that establishes remuneration by job category (post/function/task), independently of the employee's gender or any other characteristic, which makes discrimination in salary terms an impractical proposition. For this reason, the ratio is calculated only on the group outside the agreement and applying the INE's formula:

$$100 \times \frac{\text{Average men salaries} - \text{Average women salaries}}{\text{Average men salaries}}$$

Group outside of agreement	Women	Men
141	37	104
Group total wage women base salary		Group total wage men base salary
56,659		70,183
Base salary ratio man/woman		
19.27%		

The data does not include the two companies located in the United States since the concept of "outside of agreement" as a specific group by the North American legislation is not comparable.

The resulting ratio (19.27%) is extremely saturated by management personnel and heads of departments, positions mainly occupied by men with broad trajectories in the Company. On the other hand, the incorporation of women into high professional qualification positions in productive and technical areas, while successfully, has been a slow process, which has been taken place mostly in the last 10 years.

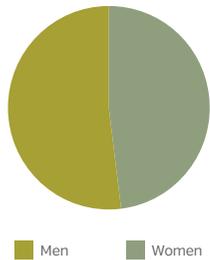
Alongside the above, some companies also have equality agreements with trade union representatives for equality programmes that promote non-discriminatory criteria.

In Group companies it is ensured that non-discrimination by gender, and that equality of opportunities, as reflected in the Ethical Commitment of Directors, signed by the directors of the Company, takes place.

## AVERAGE EMPLOYEE REMUNERATION

Tubos Reunidos stands at a high salary level compared to the average wage of surrounding companies. The average remuneration for men in 2018 has been around 40,000 euros per year, and 38,500 euros for women.

Average remuneration by gender



Furthermore, there is an increase in salaries as age increases, since these people contribute more experience and know-how to the Company.

	Average remuneration		
	Men	Women	Gap [*]
Up to 30 years	29,060	27,969	3.75%
From 30 to 50 years	36,434	44,046	-20.89%
Over 50 years	46,538	52,796	-13.44%

[\*] Salary Gap = (Salary men-salary women)/Salary men

In the information according to professional category, we observe a salary increase in those profiles which are more specialised and technical.

	Average remuneration		
	Men	Women	Gap [*]
Blue Collar	32,112.58	29,026.46	9.61%
White Collar	41,451.12	32,952.09	20.50%
Outside Agreement	71,479.65	56,744.51	20.61%

[\*] Salary Gap = (Salary men-salary women)/Salary men

In order to perform these calculations, the average salaries of Group workers with permanent contracts have been taken into account, but not the salaries of the workers of the United States, since their remuneration systems differ in items, and their legal system adjusts them in such a manner that they do not become comparable to the data provided by the companies located in Spain. Nevertheless, we consider these data valid, since they take into account 94.45% of the total workforce of the Company.

## ORGANIZATION OF LABOUR AND SOCIAL RELATIONS

### COLLECTIVE BARGAINING AGREEMENTS

The situation of each of the Group companies regarding collective bargaining is as follows:

- Tubos Reunidos maintains individual agreements with its workforce.
- Tubos Reunidos Industrial and Productos Tubulares have their own collective agreements.
- Tubos Reunidos Premium Threads and Aceros Calibrados have agreements referenced to the collective agreements of Álava and Navarra, respectively, and both have improvements.
- Tubos Reunidos services holds metal trade agreements of the provinces where it has work centres.
- Tubos Reunidos América and RDT apply the US labour legislation.



### DEFINED BENEFIT PLAN OBLIGATIONS AND OTHER RETIREMENT PLANS

Some Group companies implement a number of retirement plans, which are all based on defined contributions and which are financed by payments to external voluntary social welfare entities (EPSV). The partners of these plans are the workers of **Tubos Reunidos**, Tubos Reunidos Industrial and Productos Tubulares.

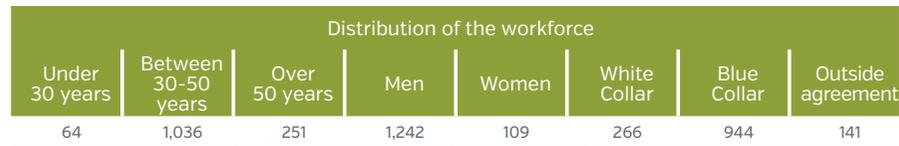
A defined contribution plan is a pension plan in which fixed contributions are paid to an external entity in accordance with a contract, without the Group having any legal or implicit obligation to make additional contribution if the fund does not possess sufficient assets to pay all the employees the benefits relating to the services developed in the current financial year and in previous ones.

The contribution percentage of the employer on the worker's salary is, if applicable, 4% in **Tubos Reunidos** and Tubos Reunidos Industrial, and 2.5% in Productos Tubulares. The entity does not assume any risk in the contribution capitalisation period and does not guarantee a minimum interest to the members. These contributions are recognised as employee benefits when they are returned.

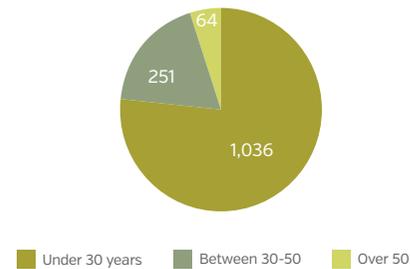
	2018
Contributions and provisions for pensions (in thousand euros)	1,803
Number of voluntary members	1,437

## NEW EMPLOYEE HIRES AND EMPLOYEE TURNOVER & BENEFITS PROVIDED TO FULL-TIME EMPLOYEES THAT ARE NOT PROVIDED TO TEMPORARY OR PART-TIME EMPLOYEES & PARENTAL LEAVE

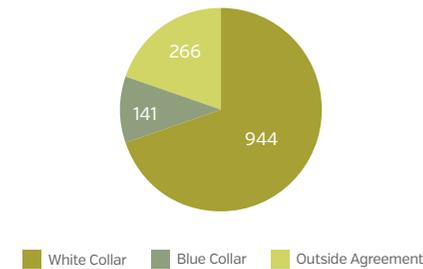
At the end of 2018, Tubos Reunidos had 1,351 employees, which represent a 9% reduction compared to the figure for the previous financial year. The distribution by age groups clearly shows that this is a company with an optimum productive maturity, since 1,036 workers, representing 76.68% of the workforce, are aged between 30 and 50, with extensive experience in the productive processes of the Group.



Distribution template by ages

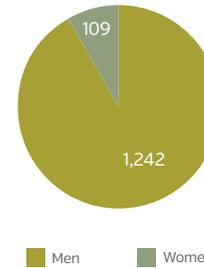


Distribution template by groups



Regarding the distribution by gender, while the steel sector has been mostly a male dominated industry historically, it is worth noting the path towards equality that the Group has taken in recent times, where we can find women at all levels of the Company.

Staff distribution by gender



Tubos Reunidos is a Company that takes care of its employees by ensuring their safety and stability, providing them with a series of social benefits that always match the collective bargaining agreements and regulations of each company.

So the workers of Tubos Reunidos have life insurance, healthcare coverage, disability insurance, parental leave and provisions for retirement and, in the case of TR SA, TRI PT there are external voluntary social welfare entities for employees. There are also subsidies for lunch expenses (lunch cheques at Tubos Reunidos Industrial), payment of lunches [Productos Tubulares] for the day shift.

The application of the relief contract to the group of workers over 61 years of age has allowed the creation of stable and indefinite employment and the retirement of our most veteran professionals.

To encourage a balance between work and personal life there are a number of measures that go beyond those established by legislation: The specific articles of the agreements applicable to the different companies of the Group are summarised below:

### Tubos Reunidos Industrial

In the agreements of the equality plan, the following measures are established to favour labour conciliation:

- Article 19: the schedules and timetables establish the possibility of making the entries and exits more flexible during the day shift.
  - Article 46: which establishes the possibility of accepting a leave of absence with the reservation of the job for the care of sick family members.
  - Article 46-bis: where partially paid permits are regulated for personal circumstances.
  - Article 45: a number of paid permits are established, which exceed those established by the Workers' Statute, to address different circumstances in the family environment.
  - Article 62: which regulates the loans for the purchase of a family home.
  - Article 64: emphasis is placed on social assistance and related aid.
- Holidays and days off are above the regulation of the Workers' Statute.
- ### Productos Tubulares
- Article 8: which regulates time and flexibility.
  - Article 11: a number of paid permits are established, which exceed those established by the Workers' Statute, to address different circumstances in the family environment.
  - Article 11-g: which regulates permits for accompanying under-age children or disabled family members in charge of the worker to a doctor's appointment.
  - Article 12-2: which establishes special conditions for leave without pay of less than 15 days.

- Article 14-1: it establishes a rest period of one week in addition to the provisions of the Workers' Statute in cases of the delivery of a baby, with flexibility for their enjoyment.

Holidays and days off are above the regulation of the Workers' Statute.

**Tubos Reunidos Premium Threads**

- Article 32: a number of paid permits are established, which exceed those established by the Workers' Statute, to address different circumstances in the family environment.

- Article 32-4: establishes two calendar days for accompanying disabled children to a doctor's visit.

- Article 32-7: adds two extra days are to the permit established in the Workers' Statute in case of marriage of an employee. It is extended to 10 days more of unpaid leave if the productive circumstances enables it.

- Article 32-9: the flexibility of leaves for breastfeeding is improved.

- Article 32-10: it regulates the leaves to attend doctor's appointments and the possibility of splitting leaves for sickness of relatives and births.

- Article 33: it promotes the employment of women and equal opportunities, establishing a specific committee for this area.

- Article 64: it establishes a mixed committee on equality.

In a complementary way, and in accordance with current legislation, all workers who have requested paternity or maternity leave have been given the opportunity to adapt them to the most convenient dates according to their preferences, in order to reconcile the permit with their labour life. The same criteria has been applied to male workers who have requested breastfeeding permits.

Regarding the reductions in working hours, these have been assigned based on the preferences for the conciliation of the labour life of the workers, although they were inconvenient for the productive process at times.

A total of 54 reductions in working hours were applied to balance working and family life in 2018: 50 in Tubos Reunidos Industrial and 2 in Aceros Calibrados and Productos Tubulares.

In addition, 29 employees have accepted the right to parental leave: 24 men and 5 women. All of whom have re-joined their jobs once they completed the enjoyment of their leave periods.

The following formula has been used to calculate the absolute turnover rate:

100 x [Total terminations in the Group/Total permanent employees in the Group]:

	New hires	Termination	% Turnover
Under 30 years	12	8	13%
Between 30 and 50 years	34	59	6%
Over 50 years	2	53	21%
Men	39	99	8%
Women	9	21	19%
<b>TOTAL COMPANY</b>	<b>48</b>	<b>120</b>	<b>9%</b>

Calculation of the turnover rate: (Termination in the company during the financial year / Total Staff) x 100

Total terminations in Tubos Reunidos in financial year 2018							
Under 30 years	Between 30-50 years	Over 50 years	Men	Women	White Collar	Blue Collar	Outside agreement
8	59	63	99	21	38	58	24

Of the total terminations in the Group, 4 have been as a result of disciplinary dismissals.

Total redundancies in Tubos Reunidos in financial year 2018							
Under 30 years	Between 30-50 years	Over 50 years	Men	Women	White Collar	Blue Collar	Outside agreement
0	3	1	2	2	2	1	1

## MINIMUM NOTICE PERIODS REGARDING OPERATIONAL CHANGES

As a general rule, Tubos Reunidos gives a minimum of 2 weeks' notice to employees and their representatives before applying any significant operational changes that might have a major effect on them. The collective bargaining agreements specify the periods for prior notification and the provisions for consultation and negotiation.

## IMPLEMENTATION OF LABOUR DISCONNECTION MEASURES

Given the nature of our activity and the number of people who perform such activity in the different plants owned by the Company, we do not have any specific policies or procedures in place regarding labour disconnection.

Not many workers have mobile devices, telephones or computers provided by the company, means by which they could be reached outside working hours. Specifically, in the Group's main companies located in Spain, which total 1,257 workers, 178 have a mobile phone and around 70 laptop computers for individual use, these tools being necessary to be able to carry out their work. We consider that labour disconnection is sufficiently guaranteed.

## HOURS LOST DUE TO ABSENTEEISM

The level of absenteeism in 2018 has been very high. To the high rate due to illness that the Group already had, we must add the hours lost due to labour unrest this year. These two reasons account for the ratios that are explained below. The hours of absenteeism derived from union activity are not taken into account for the calculation of lost work hours; hence the following are accounted for:

- Hours lost due to common illness.
- Hours lost due to a work related accident.
- Hours lost due to paid leave.
- Hours lost due to unrest.
- Hours lost due to other causes.
- Total hours lost.
- Hours worked.
- Theoretical hours.

This calculation provides the following absenteeism data in each Group Company:

Company	Hours	Theoretical Hours	%
TRI	140,285	1,319,708	10.63%
PT	133,413	695,947	19.17%
TRPT	4,638	98,254	4.72%
ACECSA	5,223	62,321	8.38%
TRSA	-	16,637	0.00%
RDT/TRAME	1,120	238,298	0.47%
TR SERVICES	*	*	*
<b>TOTAL</b>	<b>284,648</b>	<b>2,431,165</b>	<b>11.71%</b>

\* No data are available, although its result would not significantly alter the previously calculated ratio.

## HEALTH AND SAFETY

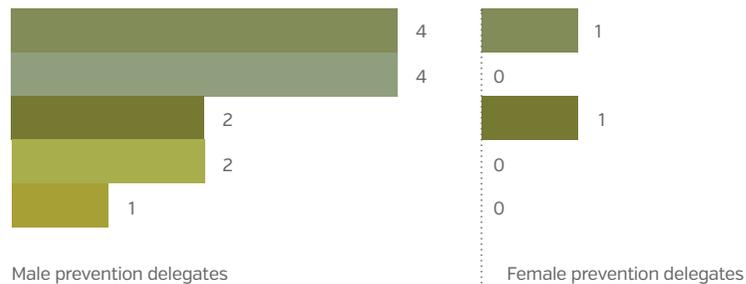
### WORKERS REPRESENTATION IN FORMAL JOINT MANAGEMENT- WORKER HEALTH AND SAFETY COMMITTEES

The companies belonging to the Tubos Reunidos Group are consolidated within this point:

- Tubos Reunidos Industrial
- Productos Tubulares
- Aceros Calibrados
- Tubos Reunidos América
- RDT
- Tubos Reunidos Premium Threads

For the development of this standard, there are a total of 15 local representatives (prevention officers) who represent the social part of the Group's workers, distributed as:

#### Number of prevention officers



■ TRI ■ PT ■ RDT ■ TRPT ■ ACECSA

The information related to the formal health and safety committees (meetings in which the department meets with the workers to agree actions or prevention matters) is detailed below, which helps to control, gather observations and advise on safety programmes at work.

#### Number of formal committees



Taking into account the total number of prevention officers (or in their absence, trade union representatives) present at meetings and the number of prevention delegates required by law (depending on the total number of company staff) the number of workers represented in each of the following forums is as follows:

	Number of workers represented
Health and safety committee	1,329
Departmental meetings	960

## TYPES OF INJURY AND RATES OF INJURY, OCCUPATIONAL DISEASES, LOST DAYS AND ABSENTEEISM AND NUMBER OF WORK-RELATED FATALITIES

Tubos Reunidos has drafted the following summary to identify the system used to monitor and report health and safety incidents and performance and to ensure that it covers all significant operations and locations.

	Employees*		Workers**		TOTAL
	Man	Woman	Man	Woman	
No. Accidents WITH leave	1	0	64	1	66
No. Accidents WITHOUT leave	7	2	145	4	158
No. Accidents in total	8	2	209	5	224
No. of occupational diseases declared	0	0	2	0	2
No. of days lost	80	0	2,115	4	2,199
Number of hours worked	629,585	112,320	1,326,761	62,583	2,131,249
Occupational disease incidence rate [ODIR]	0%	0%	0.17%	0%	0.15%
Injury Rate [IR]	1.59	0	48.24	15.98	30.97
Severity Rate [SR] or Lost day rate [LDR]	0.13	0	1.59	0.06	1.03
Absenteeism Rate by Labour [ARL]	0.14%	0.06%	1.36%	0.02%	0.97%
Hours of Absenteeism by Labour [HAL]	1,000	464	19,221	260	20,975
Deaths due to work accident or occupational diseases	0	0	0	0	0
Registration and presentation system information used for accidents	DELTA***				

IR = Acc. Leave\*10<sup>6</sup>/hours workers + employees

SR = LDR = days lost\*10<sup>3</sup>/hours worked + employees

IP = acc. Total\*10<sup>6</sup>/hours workers + employees

ODIR = No. occ. diseases.\*10<sup>3</sup>/number of workers + employees

Following this pre-set criterion:

[\*]DAYS LOST

Days lost from day when worker cannot restart work.

[\*]EMPLOYEES

Number of people belonging to the company not directly related by working activity.

[\*\*]WORKERS

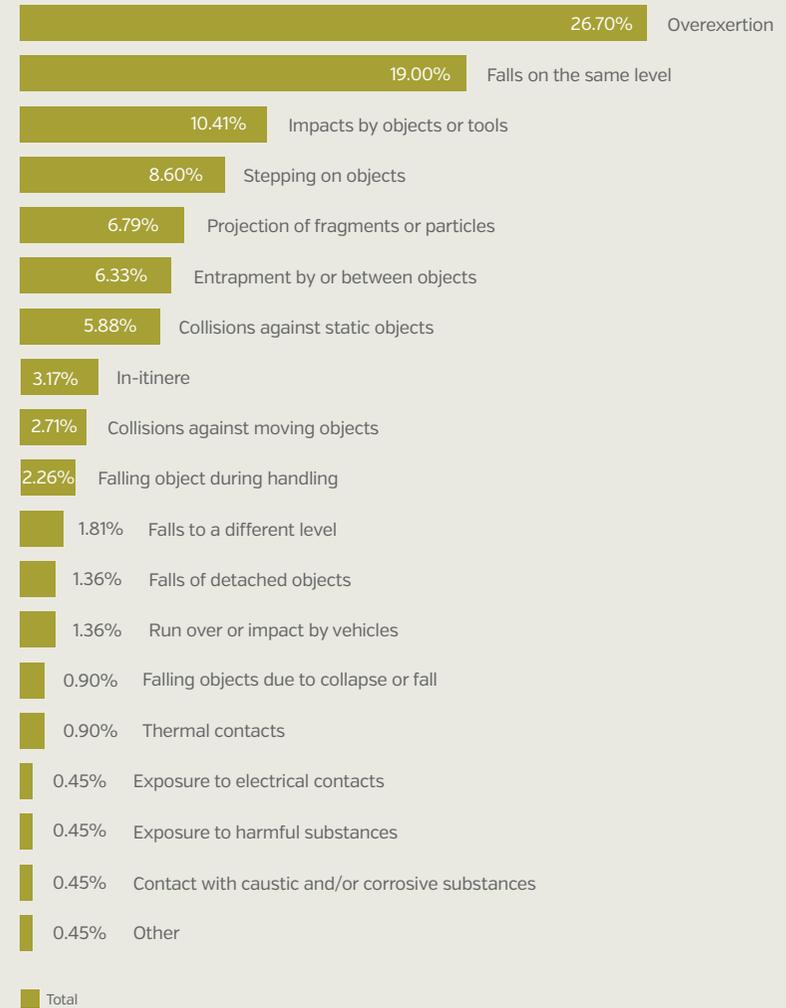
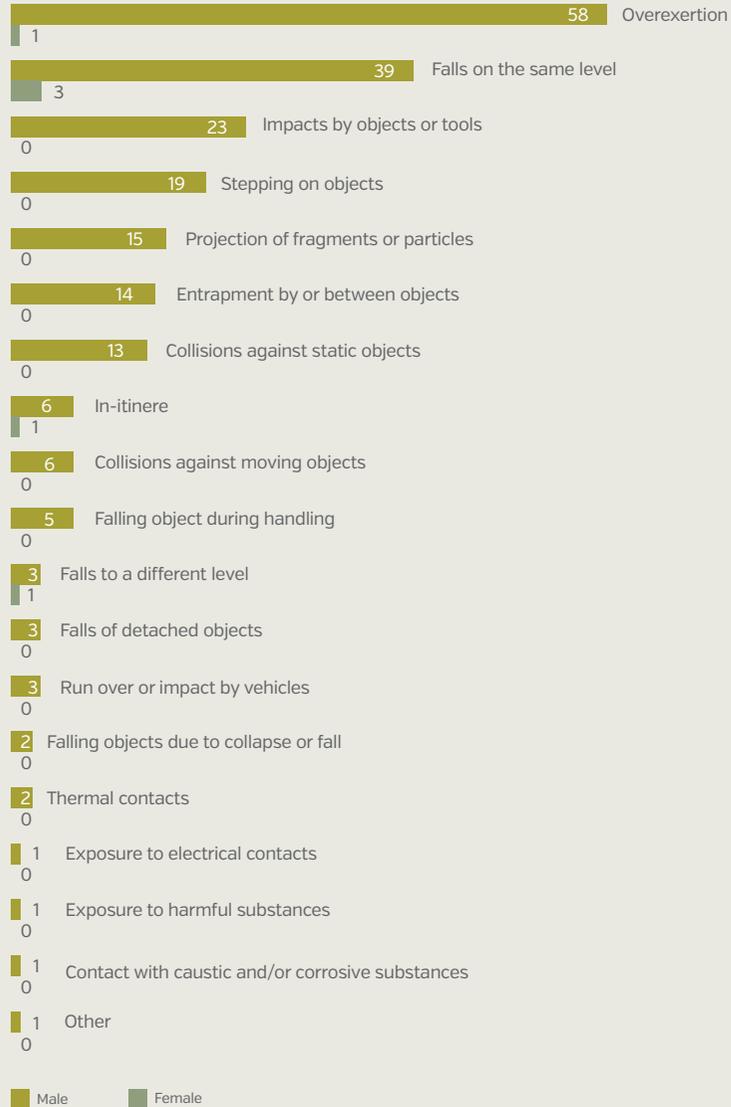
Number of people belonging to the company directly related by working activity.

[\*\*\*]DELTA

This company follows the code of practice on registration and notification of WA and OD in accordance with state bodies.

Below are the types of accidents in percentage and number of accidents both with leave and without leave, separated by gender and the consolidated of the Group.





According to this chart, it is observed that the most frequent types of accidents are overexertions and falls at the same level.

## WORKERS WITH HIGH INCIDENCE OR HIGH RISK OF DISEASES RELATED TO THEIR OCCUPATION

The prevention of diseases contributes to the satisfaction of workers and reduces the turnover rate of staff. It is important to monitor contagious diseases or those arising from the specific professional activity, as well as the frequency with which they take place.

The following jobs had a high disease incidence in 2018:

Position*	Company**	Workers***
Specialists tuning	TRI	6
Coppersmith welder shift	TRI	6
Packaging	TRI	4
Hook of the area La90	TRI	5
Pipe maintenance adjuster	PT	19
Shifter	PT	34
Crane operator- tower- stainless facility	PT	31

\*Post: Controlled posts or work stations with high incidence.

\*\*Company: Company belonging to Group.

\*\*\*Workers: Number of persons belonging to the company who are exposed to the job with high incidence.

For those companies that are not listed in the table, it is considered that there are no jobs in which there are a large number of notable incidents.

Campaigns are being prepared addressed to this group of workers that shall be included in the new preventive activities programme for the following year.

## HEALTH AND SAFETY TOPICS COVERED IN FORMAL AGREEMENTS WITH TRADE UNIONS

Formal agreements can encourage acceptance of responsibilities by both sides and the development of a positive health and safety culture within the Tubos Reunidos Group. This section contains information on the extent to which workers are actively involved in the formal agreements with the company that determine the management provisions of health and safety.

	Number of cases	% number of cases/ activity
Agreements css	213	33%
Departmental meeting agreements	205	32%
Other agreements	227	35%
<b>Total</b>	<b>645</b>	<b>100%</b>

[\*] Agreements of the health and safety committees accumulated during the year.

[\*\*] Total issues resolved derived from departmental meetings during the year.

[\*\*\*] Number of resolved cases not analysed in the previous cases.

The agreements of Tubos Reunidos are the basis for establishing and consolidating occupational health and safety management.

There are meetings with contracts in place in all the companies that, while they are not reflected in the indicators, they are internally controlled and managed through follow-up minutes.

As a summary of financial year 2018 in Spain, the provisions of current legislation continue to be developed, in compliance with article 24 of the Law on the Prevention of Occupational Risks and the provisions of Royal Decree 171/2004, on the Coordination of Business Activities.

## HOURS LOST DUE TO ABSENTEEISM

During 2018, the level of absenteeism in Tubos Reunidos has been very high. In this financial year we must add the hours lost due to labour unrest and the high level of absenteeism due to illness that the Group already had. These two reasons account for the ratios that are explained in this section.

The hours of absenteeism derived from union activity are not taken into account for the calculation of lost work hours; hence the following are accounted for:

- Hours lost due to common illness.
- Hours lost due to a work related accident.
- Hours lost due to paid leave.
- Hours lost due to unrest.
- Hours lost due to other causes.

Which provides the total number of hours lost, which is counted as the theoretical hours minus the hours worked. This calculation provides the following absenteeism data in each Group Company:

Company	Hours	Theoretical Hours	%
TRI	140,285	1,319,708	10.63%
PT	133,413	695,947	19.17%
TRPT	4,638	98,254	4.72%
ACECSA	5,223	62,321	8.38%
TRSA	-	16,637	0.00%
RDT/TRAME	1,120	238,298	0.47%
TRSV[*]	*	*	*
<b>TOTAL</b>	<b>284,648</b>	<b>2,431,165</b>	<b>11.71%</b>

[\*] No data are available, although its result would not significantly alter the previously calculated ratio.

## TRAINING

### AVERAGE HOURS OF TRAINING PER YEAR BY EMPLOYEE. PROGRAMMES TO IMPROVE EMPLOYEES' SKILLS AND TRANSITION AID PROGRAMMES

Tubos Reunidos is most interested in the qualification and professionalism of its staff, so the training of its professionals throughout their professional career is one of our cornerstones to try to achieve excellence.

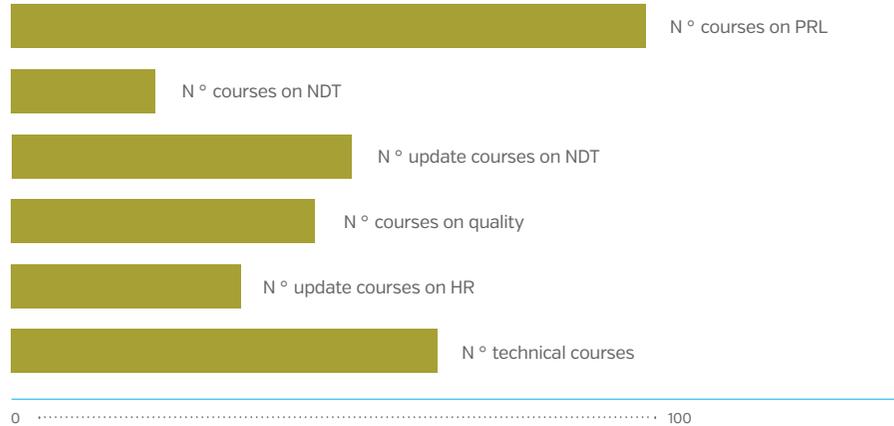
By category	No. hours Blue Collar training	No. of Blue Collar people	Average hour per worker
	8,782	944	9.30
By category	No. hours White Collar training	No. of White Collar people	Average hour per worker
	1,498	266	5.63
By category	No. hours outside of agreement	No. of people outside of agreement	Average hour per worker
	1,526	141	10.82

The training starts with the onboarding processes (reception plans) that enable and facilitate the integration and adaptation to the company of the newly comers.

Besides, a training programme is also prepared and planned every year to improve the Group skills workers need to perform effectively in their positions.

Throughout 2018, a total of 11,806 hours of training have been invested, that is, an average of around 8.7 hours per worker.

Number of courses per area



(\*) NDT = Non-destructive tests

The great influence of training in Prevention of occupational hazards stands out, since from the management priority is given to the safety and health of all people who work for the Group.

The Company has promoted the superior training of its workers, contributing financially so that employees pursue master's degrees in their specialities, hence supporting talent and the development of internal capital.

In regards to the distribution of hours by gender, as displayed in the following chart, there is not a big difference among men and women.

Average hours of training per year by employee.



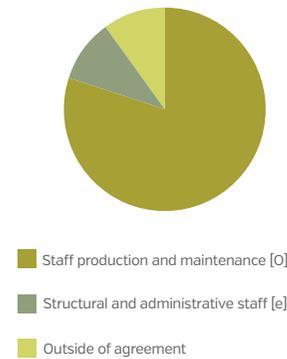
To date, due to the indefinite nature of most of the contracts that are established with the workers and their average length of stay within the Group, there has been no need to implement transition assistance programmes to facilitate continued employability, and the management of the end of professional careers due to retirement or dismissal.

We have had a total of 16 partial retirements throughout 2018 that ensure the maintenance of our staff and promote the employability of community members.

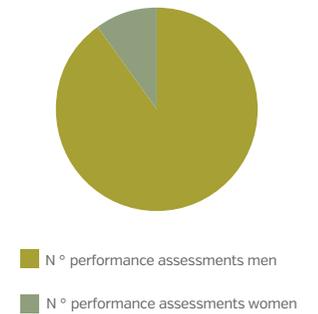
PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE AND CAREER DEVELOPMENT REVIEWS

The 134 performance assessments that have been formally performed and registered in 2018 are displayed in the following charts.

Distribution by type of agreement



Distribution by gender



## COMMITMENT TO EQUALITY

### DIVERSITY OF GOVERNING BODIES AND EMPLOYEES [1]

#### MANAGEMENT COMMITTEE OF TUBOS REUNIDOS

Category	Men	%	Women	%	Total
Blue Collar	0	0%	0	0%	0
White Collar	0	0%	0	0%	0
Outside of agreement	7	87.50%	1	12.50%	8
<b>TOTAL</b>	<b>7</b>	<b>87.50%</b>	<b>1</b>	<b>12.50%</b>	<b>8</b>

[1] In order to calculate the distribution of people, the templates with permanent contracts of the different companies have been taken into account.

Category	< 30 years	%	>=30 years and <=50 years	%	> 50 years	%	Total	%
Blue Collar	0	0%	0	0%	0	0%	0	0%
White Collar	0	0%	0	0%	0	0%	0	0%
Outside of agreement	0	0%	4	50%	4	50%	8	100%
<b>TOTAL</b>	<b>0</b>	<b>0%</b>	<b>4</b>	<b>50%</b>	<b>4</b>	<b>50%</b>	<b>8</b>	<b>100%</b>

#### WORK CENTRES: TUBOS REUNIDOS TOTAL

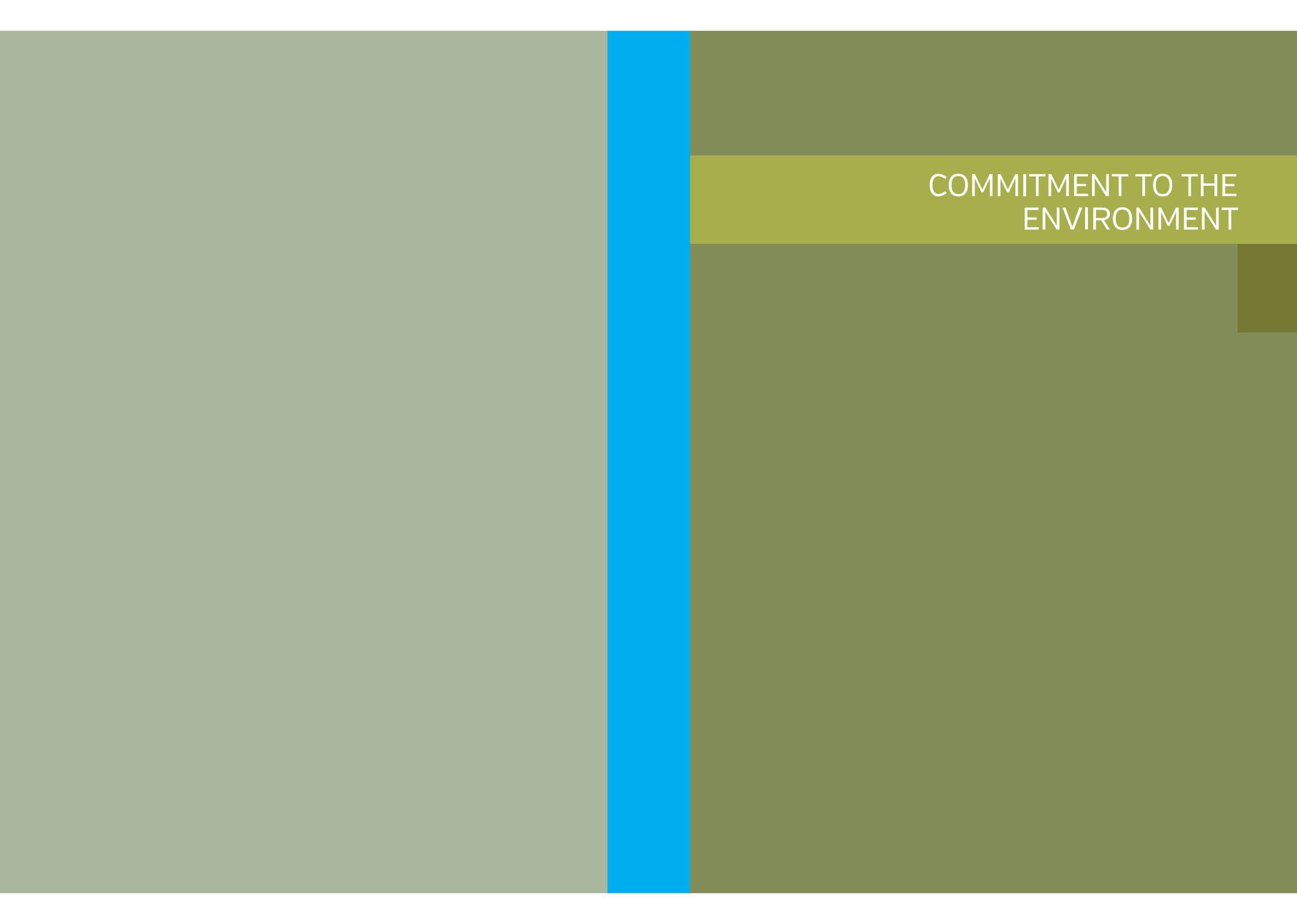
Category	Men	%	Women	%	Total
Blue Collar	918	98.39%	15	1.61%	933
White Collar	206	79.23%	54	20.77%	260
Outside of agreement	104	73.76%	37	26.24%	141
<b>TOTAL</b>	<b>1,228</b>	<b>92.05%</b>	<b>106</b>	<b>7.95%</b>	<b>1,334</b>

Category	< 30 years	%	>=30 years and <=50 years	%	> 50 years	%	Total	%
Blue Collar	53	5.68%	732	78.46%	148	15.86%	933	69.94%
White Collar	2	0.77%	197	75.77%	61	23.46%	260	19.57%
Outside of agreement	2	1.42%	96	68.09%	43	30.50%	141	10.49%
<b>TOTAL</b>	<b>57</b>	<b>4.27%</b>	<b>1,025</b>	<b>76.84%</b>	<b>252</b>	<b>18.89%</b>	<b>1,334</b>	<b>100%</b>

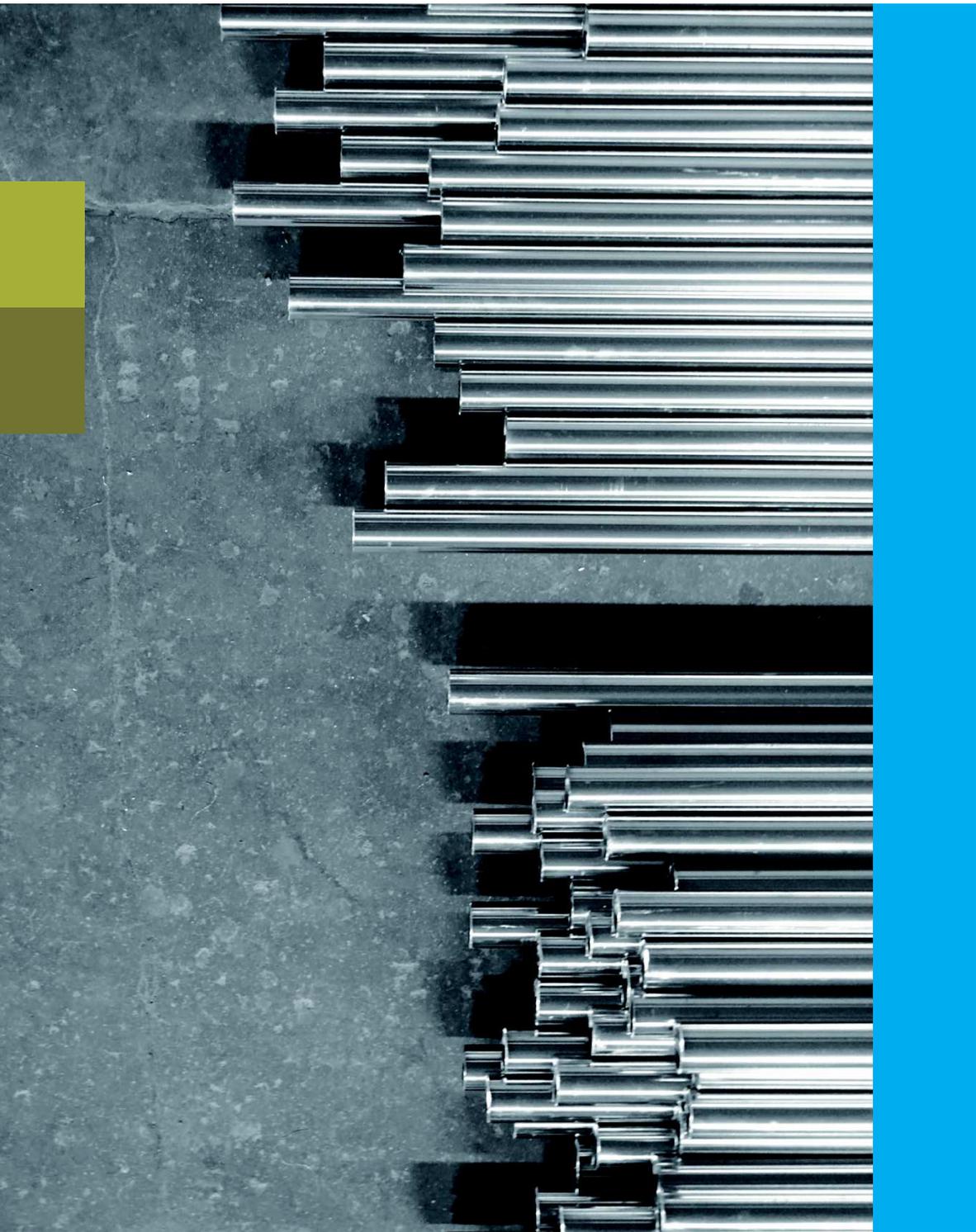
Workers with officially recognised disabilities	2018
Women	1
Men	6
<b>TOTAL</b>	<b>7</b>

Most of the workforce work in operations regarded as direct labour linked to production processes in the steel-making and metal sector. All staff selection processes are carried out in an open manner.

Tubos Reunidos emphasises that the gender of the candidates does not represent any condition or limitation, on the contrary, it is promoted in all situations in which a tie between the candidacies may occur.



COMMITMENT TO THE  
ENVIRONMENT



Tubos Reunidos undertakes the commitment to seek the greatest environmental respect in the development of our activities. Therefore, it is aligned with the business strategy. In this background, it encompasses the commitment made in 2018, together with other economic and social players, to promote the transition towards a circular economy that focuses on objectives such as making progress in the reduction of the use of non-renewable natural resources, the incorporation of criteria for ecodesign, the prevention of waste generation, encouraging reuse by strengthening recycling practices, promoting innovative ways of sustainable consumption, etc.

## ENVIRONMENTAL MANAGEMENT

### EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY DISCLOSURE

Tubos Reunidos signed the “Pact for a Circular Economy - The commitment of economic and social players 2018-2020” by which it undertakes to promote the transition to a circular economy.

Tubos Reunidos considers the following material topics in the area of Environmental Performance:

- Materials
- Energy
- Water
- Emissions
- Legal compliance
- Environmental assessment of suppliers

The integrated policy includes the commitment made in terms of quality, environment and occupational risk prevention.

The Group has also signed the “Pact for a Circular Economy - The commitment of economic and social agents 2018-2020” of the Ministries of Agriculture and Fisheries, Food and Environment and the Ministry of Economy, Industry and Competitiveness.

The parts signing this agreement undertake to promote the transition to a circular economy through the following actions:

- Making progress in the reduction of the use of non-renewable natural resources, reusing the materials contained in waste in the production cycle as secondary raw materials, as long as the health of people and the protection of the environment is guaranteed.

- Promoting the analysis of the life cycle of products and the incorporation of ecodesign criteria, reducing the introduction of harmful substances in their manufacture, facilitating the reparability of the goods manufactured, extending their useful life and enabling their recovery at the end of the same.
- Encouraging the effective implementation of the principle of hierarchy of waste, preventing its generation, promoting reuse, strengthening recycling practices and favouring traceability.
- Promoting guidelines that increase innovation and the overall efficiency of productive processes through the adoption of measures such as the implementation of environmental management systems.
- Promoting innovative forms of sustainable consumption that include sustainable products and services, as promoting the use of digital infrastructures and services.
- Promoting a responsible consumption model based on the transparency of information on the features of goods and services, as well as their duration and energy efficiency, through the use of measures such as the use of the eco-label.
- Facilitating and promoting the creation of appropriate channels to enable the exchange of information and coordination with administrations, the scientific and technological community, and economic and social players, in order to create synergies that favour the transition.
- Disseminating the importance of moving from a linear economy towards a circular economy, promoting the transparency of processes, raising awareness among citizens.
- Promoting the use of common, transparent and accessible indicators that indicate the degree of implementation of the circular economy.
- Promoting the incorporation of social and environmental impact indicators arising from the operation of companies, in order to be able to assess beyond the economic profits that are generated in the same, as a result of their commitment to the circular economy.

### MANAGEMENT APPROACH AND ITS COMPONENTS

Aware of the impact that our activity may have on the environment, we have undertaken the public commitment of meeting legal requirements and other commitments undertaken with the different stakeholders, as well as enhancing the continuous improvement of environmental performance.

Several of the Group's plants have the certification of their Environmental Management System in accordance with ISO 14001 standard, and the main production plants (Tubos Reunidos Industrial and Productos Tubulares) have the corresponding Integrated Environmental Authorizations, which include all the obligations in this matter to be met by these plants.

Tubos Reunidos has tools to immediately know the new legislation applicable in the environmental and fiscal field, which allows us to keep up with the financial implications and other risks and opportunities arising from climate change.

Furthermore, it participates actively, through UNESID (Union of Steel Companies), in the development of the BAT (Best Available Techniques) and in the knowledge development of the new environmental requirements foreseen, with the aim of anticipating the necessary actions for its fulfilment as well as for the analysis of the opportunities that could arise from the same.

### ASSESSMENT OF THE MANAGEMENT APPROACH

Several of the plants of the Group have annual environmental objectives with the purpose of seeking continuous improvement in their behaviour. New requirements in this matter are being introduced for the supplier selection process and the evolution of the plants' environmental performance is monitored by means of set indicators.

Internal and external communication channels have been established to gather suggestions, opinions and complaints from stakeholders and effectively manage them.

## PRECAUTIONARY PRINCIPLE OR APPROACH

Since its origins, Tubos Reunidos has shown a strong ethical commitment. We understand that the best way to accomplish this is by establishing **effective internal rules and procedures** with the following objectives:

- Developing our activities in accordance with rigorous rules of conduct and legislation currently in force.
- Preventing any negative effect of our activity on the environment.
- Implementing operating standards and communication control systems to stop our activities from being used for illegal purposes.
- Ensuring that all our employees observe the crime prevention policies and procedures.
- Strictly comply with environmental legislation.

The Ethical Code of Conduct for Administrators, Directors and Employees, approved on 3 May 2016, reflects the **Group's firm commitment to integrate environmental criteria aspects in the management of their companies**, among which the respect for the environment occupies a key place.

The Group is also committed to showing **the greatest respect for the environment in its activities**, to minimise any negative effects that they might have and to provide its employees with the means to mitigate them. Tubos Reunidos undertakes to strictly comply with any applicable environmental legislation.

The Board of Directors, which is the highest governing body of the Group, is aware of the importance of environmental policies.

Together with the strictest compliance with the legislation, The Group is committed to contributing to the conservation of natural resources and those areas of ecological, landscape, scientific or cultural interest.

## ASSESSMENT PROCEDURES OR ENVIRONMENTAL CERTIFICATION

The production plants of Tubos Reunidos Industrial and Productos Tubulares have certifications of their Environmental Management System under the strict requirements of the **ISO 14001: 2015 standard, issued by Lloyd's Register LRQA**, an organisation certified and recognized worldwide, having to pass the yearly follow-up audit to be able to maintain this certification. Both plants also have the Integrated Environmental Authorisations issued by the corresponding Administration, which include all the legal requirements to be met. Regular inspections verify compliance with these authorisations.

## RESOURCES DEDICATED TO THE PREVENTION OF ENVIRONMENTAL RISKS

Tubos Reunidos has among its property, plant and equipment facilities destined to the works of protection and improvement of the environment. It has its own staff and the support of specialised external companies for this purpose. All this is part of the strategic environmental plan in which the Group is engaged in order to minimise the environmental risks associated with its activity, as well as to improve its management in this field.

The amounts, both of the investments made as of the expenses accrued during financial year 2018 for the protection and improvement of the environment, have risen to 82,000 and 1,716,000 euros respectively.

## AMOUNT OF PROVISIONS AND GUARANTEES FOR ENVIRONMENTAL RISKS

Tubos Reunidos has contracted an **environmental responsibility policy** with the Chubb European entity Group Limited, valid until 31 January 2020, with a general limit of 10,000,000 euros per claim.

Furthermore, and in accordance with the applicable legislation, Tubos Reunidos Industrial has performed the **Environmental Risks Analysis (ERA)**, in accordance with the **Sid-MIRAT model** approved by public administrations, which enables greater control of the environmental risks of the facility.

Throughout 2019, this analysis shall be carried out at the Productos Tubulares plant in order to meet the deadline established by the Administration.

## NON-COMPLIANCE WITH ENVIRONMENTAL LAWS AND REGULATIONS

In 2018, none of the Group Companies was fined or received significant sanctions (above 20,000 euros) for non-compliance with applicable legislation and regulations.

## NEW SUPPLIERS THAT WERE SCREENED USING ENVIRONMENTAL CRITERIA

All suppliers that might have an environmental impact are assessed before registering them in the list of approved suppliers. Those suppliers that have a potentially significant impact are informed of the environmental requirements to be complied with in order to eliminate/minimise said impacts.

## NEGATIVE ENVIRONMENTAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN

2018	Number of suppliers assessed with environmental criteria	Number of suppliers with potential negative impacts
PT	58	20
TRI	164	32
TRPT	1	-
RDT	-	-
ACECSA	-	-
<b>TOTAL</b>	<b>223</b>	<b>52</b>

In 2018, no supplier was terminated as a result of its activities for the Group.

Improvements have been agreed with all suppliers with significant potential impacts to minimise the risk of environmental effects.

The negative environmental impacts (potential and real) identified in the supply chain, from which suppliers are assessed, are as follows:

- **Resources:** use of natural resources and raw materials, depletion of non-renewable resources, reduction of biodiversity...
- **Soil:** contamination of soil with chemical substances, contamination of soil with inorganic substances, poisoning by direct or indirect contact, impact on the landscape, contamination of surface and/or ground waters, impact on flora and fauna.
- **Disturbance:** visual impact, stress, distraction, change in mood, decrease in productivity, noise, disturbance of feeding patterns and breeding of animals, interference in communication, sleep disturbance...
- **Waste:** impacts on the soil from direct contact from contaminated waste, impacts on water due to leaching of hazardous substances that waste may contain, impacts on landscape from accumulated waste, impacts on the natural surroundings of the area, etc.

- **Spills:** reduction of the oxygen content in water, appearance of sediments or deposits of solids and sludges, appearance of pathogenic micro-organisms, nutrient inputs that cause massive growth of algae and lead to eutrophication, inhibition of biological processes due to toxic substances, reduced possibility of subsequent use (industrial, farming or leisure), alteration of ecosystem, poisoning from direct or indirect contact, etc.

- **Atmosphere:** acid rain, greenhouse effect, destruction of ozone layer, radioactive contamination, pollution of surrounding air, etc.

## SUSTAINABLE USE OF RESOURCES

### MATERIALS USED BY WEIGHT OR VOLUME

#### NON-RENEWABLE MATERIALS

The data includes the raw materials, the materials necessary for the process (oils, fats, fluxes and iron) and the packaging materials (caps, plastics, strips, cardboard, etc.).

Data in tons	2018
PT	4,865
TRI	43,602
TRPT	13
RDT	49,819
ACECSA	534
<b>TOTAL</b>	<b>98,833</b>

#### RENEWABLE MATERIALS

The data includes the raw materials and materials necessary for the manufacture of the final product (scrap and stainless ingots).

Data in tons	2018
PT	58,582
TRI	243,124
TRPT	286
RDT	-
ACECSA	-
<b>TOTAL</b>	<b>301,992</b>

In both tables, the information has been obtained by direct measurement via dispatch notes and/or internal management reports.

## ENERGY CONSUMPTION

### TOTAL CONSUMPTION OF NON-RENEWABLE FUELS

Consumption from natural gas has been included as the most relevant fossil fuel used.

Consumption of non-renewable sources [MWh]	2018
PT	82,750
TRI	264,434
TRPT	906
RDT	25,268
ACECSA	3,240
<b>TOTAL</b>	<b>376,598</b>

No renewable fuels are used, such as biofuels or biomass.

### TOTAL ELECTRICITY CONSUMED

Tubos Reunidos companies do not use energy sources such as steam or water from urban heating or cold water plants. There is no evidence of the sale of electricity, heating, cooling or steam.

Electricity [MWh]	2018
PT	57,489
TRI	195,521
TRPT	1,393
RDT	17,954
ACECSA	1,049
<b>TOTAL</b>	<b>273,406</b>

### TOTAL ENERGY CONSUMPTION

Total consumption [MWh]	2018
PT	140,239
TRI	459,955
TRPT	2,299
RDT	43,222
ACECSA	4,289
<b>TOTAL</b>	<b>650,004</b>

## ENERGY INTENSITY

The ratio includes the total energy consumption between the tons of steel produced.

Energy intensity [kWh/t steel]	2018
PT	2,767
TRI	1,987
TRPT	208
RDT	2,310
ACECSA	1,158

## WATER WITHDRAWN BY SOURCE

The tables reflect the total volumes of water withdrawn, broken down by surface water and water from municipal supplies or other water services, public or private.

As it does not apply, the water from the rain, collected and stored, or waste water from another organisation have not been considered.

2018	Surface water abstracted [m3]	Groundwater abstracted [m3]	Municipal water supply [m3]
PT	-	-	113,456
TRI	165,914	-	63,483
TRPT	-	-	336
RDT	-	32,691	-
ACECSA	-	-	7,435
<b>TOTAL</b>	<b>165,914</b>	<b>32,691</b>	<b>184,710</b>

The water withdrawn in RDT has been accounted for by the existing meters in the extraction wells.

## WATER SOURCES SIGNIFICANTLY AFFECTED BY WITHDRAWAL OF WATER

Tubos Reunidos does not present significant conditions of any water source, having the corresponding permits and/or administrative licenses granted by the competent authority. Nor are the extractions of water masses classified by professionals as especially sensitive, those listed in the Ramsar Convention, which have great value for biodiversity, for local communities, and indigenous peoples.

Besides the waters received via municipal water grids or other public or private services, Tubos Reunidos extracts surface waters from the dam of San Roque and the Pagatza reservoir (considered to be of little relevance) and from the river Izoria. For its part, RDT extracts groundwater.

## TOTAL VOLUME OF WATER ABSTRACTED

The total volume of water abstracted by Tubos Reunidos in 2018 amounts to **383.315 m3**.

In accordance with the GRI 306-5 standard, the Group has no evidence that its discharges affect bodies of water.

## WATER RECYCLED AND REUSED

Both Tubos Reunidos Industrial and Productos Tubulares have a system of water recirculation in a closed circuit to cool their production facilities. This minimises the use of this natural resource by having to provide only the evaporated water during the recirculation process.

Nevertheless, and following the recommendations of the GRI 303-3 standard, the table displays the estimated quantities of recycled and reused water.

Water recycled and reused [m3]	2018
PT	7,625,615
TRI	13,998,906
TRPT	-
RDT	-
ACECSA	-
<b>TOTAL</b>	<b>21,624,521</b>

In line with the GRI 303.3 standard, the total volume of re-used water (recirculated) has been estimated based on the number of recirculation cycles, estimated flow of pumps and days of operation.

## CLIMATE CHANGE

### FINANCIAL IMPLICATIONS AND OTHER RISKS AND OPPORTUNITIES DUE TO CLIMATE CHANGE

A major part of the sales of the Group are directed towards the oil sector and may therefore be affected by potential regulatory changes and/or changes in environmental policies. No other significant risks resulting from climate change have been identified although there are concepts such as energy savings and improved energy efficiency to reduce greenhouse gas emissions in operational terms as part of the group's objectives.

In order to make the most appropriate decisions to minimise risk and take advantage of the opportunities arising from climate change, a constant monitoring is carried out on the emissions and the development of trade of GHG emissions, and how international agreements can affect the Group.



### DIRECT [SCOPE 1] GHG EMISSIONS

Direct CO<sub>2</sub> emissions issued and verified within the greenhouse gas emissions (GHG) trade of the European Union and those related with the consumption of natural gas by companies not affected by the trade of such emissions.

Company	2018
PT	17,839
TRI	56,019
TRPT	167
RDT	4,655
ACECSA	597
<b>TOTAL</b>	<b>79,277</b>

### ENERGY INDIRECT [SCOPE 2] GHG EMISSIONS

Annual electrical consumption multiplied by the Emission Factor (EF) published by the National Commission on Financial Markets and Competition for each supplier company in Kg CO<sub>2</sub>/Kwh. The factor used corresponds to the last published official value.

Company	2018
PT	16,097
TRI	54,746
TRPT	390
RDT	8,541
ACECSA	294
<b>TOTAL</b>	<b>80,068</b>

2018 IBERDROLA CLIENTES S.A.U.: not published [we hold FE 2017 of Iberdrola: 0.280 kg CO<sub>2</sub>/Kwh since the data was not published from 2018].

In the case of RDT, the Emission Factor used corresponds to the official data of 2017, published by ERCOT (0.4757 kg CO<sub>2</sub>/kwh), since the 2018 data has not been published.

## OTHER INDIRECT (SCOPE 3) GHG EMISSIONS

Indirect emissions refer to those that take place as a result of activities from sources that are not owned by the Group, over which there is no control, related to our suppliers, transportation and distribution, related to business travel, etc.

Currently, there is not a sufficiently solid and reliable system to account for this type of emissions.

## INTENSITY OF GHG EMISSIONS

The data includes the sum of the direct emissions (scope 1) and of the indirect emissions (scope 2) with respect to the specific production parameter of each organisation of the Group.

Company Intensity of emissions	2018
PT	0.67
TRI	0.48
TRPT	0.05
RDT	0.71
ACECSA	0.24

## REDUCTIONS OF GHG EMISSIONS

There is no information about the reduction of GHG emissions achieved as a result of the energy saving initiatives carried out in recent years.

## POLLUTION

### EMISSIONS OF OZONE-DEPLETING SUBSTANCES (ODS)

The equipment in use in the production plants that contain this type of substances are replaced by equipment without them at the time of replacement. All equipment is subject to the checks and maintenance work established by current regulations, so that any intervention in the same that requires the handling of these gases is restricted to duly accredited staff and maintenance companies, these being responsible to take the appropriate measures for the recovery of gases, guaranteeing their proper management and avoiding, in all cases, their emission into the atmosphere.

### NITROGEN OXIDES (NOX), SULPHUR OXIDES (SOX) AND OTHER SIGNIFICANT AIR EMISSIONS

The most relevant emission sources correspond to melting furnaces (MF) and heating furnaces.

The regulatory measurements for 2018 are not available. In the absence of such measurements, since they are not compulsory in this financial year, they have been estimated based on the latest assessments carried out (reported to the administration in the E-PRTR 2017 report) and the hours of operation in 2018.

2018	NOx [Kg]	SOx [Kg]	COV [Kg]	HAP [Kg]	PM10[Kg]	Other [Kg]
PT	36,351	3,513	3,602	1.74	5,035	993x10 <sup>-7</sup>
TRI	164,757	23,464	7,175	8.99	49,521	1.00x10 <sup>-5</sup>
TRPT	-	-	-	-	-	-
RDT	-	-	-	-	-	-
ACECSA	1,167	4	35	-	-	-
<b>TOTAL</b>	<b>201,975</b>	<b>26,981</b>	<b>10,812</b>	<b>10.73</b>	<b>54,556</b>	<b>1.00x10<sup>-5</sup></b>

VOC: volatile organic compounds

PAH: polycyclic aromatic hydrocarbons

PM10: particles

Other: dioxins and furans (PCDD and PCDF)

## CIRCULAR ECONOMY AND PREVENTION AND WASTE MANAGEMENT

### WATER DISCHARGE BY QUALITY AND DESTINATION

For the discharges of the different effluents [industrial waters, sanitary sewage and rain water] there are Emission Limit Values (ELVs), contained in the Integrated Environmental Authorisations (IEAs) of the entity, in accordance with Law 16/2002, of July 1 of Integrated Prevention and Control of the Contamination, and Law 5/2013, of 11 of June, that modifies it. In the case of rain water, these do not come into contact with possible sources of contamination, hence being uncontaminated waters.

The discharges have the corresponding sedimentation and purification systems used to comply with the established ELVs.

In the case of discharges to public water courses, they have the corresponding permits from the competent authority.

2018	Water discharges to water courses [m <sup>3</sup> ]	Water discharges to collector [m <sup>3</sup> ]	Total water discharges [m <sup>3</sup> ]
PT	6,625	15,718	22,343
TRI	75,148	-	75,148
TRPT	-	324	324
RDT	-	-	-
ACECSA	-	2,664	2,664
<b>TOTAL</b>	<b>81,773</b>	<b>18,706</b>	<b>100,479</b>

### WASTE BY TYPE AND DISPOSAL METHOD

Waste is managed in accordance with the provisions of the Integrated Environmental Authorisations with the following priorities:

- 1<sup>st</sup>: regeneration-reuse.
- 2<sup>nd</sup>: valuation.
- 3<sup>rd</sup>: finally, destruction whenever it can be justified that valuation is not technically, economically or environmentally feasible.

The waste management or treatment company [authorised in accordance with corresponding LER code] includes the final destination of the waste in their offer.

There are currently no data on hazardous waste from the RDT plant.

#### WEIGHT OF HAZARDOUS WASTE

2018	Hazardous waste Recycling [t]	Hazardous waste Recovery (including the energetic r) [t]	Hazardous waste Landfill [t]
PT	9	758	388
TRI	-	3,337	1,682
TRPT	-	-	20
RDT	-	-	-
ACECSA	-	179	62
<b>TOTAL</b>	<b>9</b>	<b>4,274</b>	<b>2,152</b>

TOTAL ENERGY CONSUMPTION

2018	Non-hazardous waste Reuse (t)	Non-hazardous waste Recycling (t)	Non-hazardous waste Landfill (t)	Non-hazardous waste Other management * (t)
PT	2	12,058	1,007	47,993
TRI	2,329	41,537	6,840	52,570
TRPT	-	-	-	21
RDT	-	-	-	384
ACECSA	-	-	-	-
<b>TOTAL</b>	<b>2,331</b>	<b>53,595</b>	<b>7,847</b>	<b>100,968</b>

\* Other steps: recovery in the own steelworks.

SIGNIFICANT SPILLS

Those spills that activate the Emergency Plan established in the different areas are considered significant.

During 2018, no spills of these characteristics have occurred in any of the Group's companies.

TRANSPORTATION OF HAZARDOUS WASTE

The transportation of hazardous waste is not carried out outside national borders and, as a consequence, to member countries of the Basel Convention treaty on the control of trans-boundary movements of hazardous waste and their disposal.

BIODIVERSITY

OPERATIONAL SITES OWNED, LEASED, MANAGED IN, OR ADJACENT TO, PROTECTED AREAS AND AREAS OF HIGH BIODIVERSITY VALUE OUTSIDE PROTECTED AREAS

Only in the case of Tubos Reunidos Industrial, part of its facilities are within a protection area in the bed of the Nervión river. In this case, in addition to the conditions set out in the Integrated Environmental Authorisation, the appropriate measures have been taken and the different scenarios of environmental risks have been assessed through the tools approved by the administration in order to control and minimise any risk of significant impact.

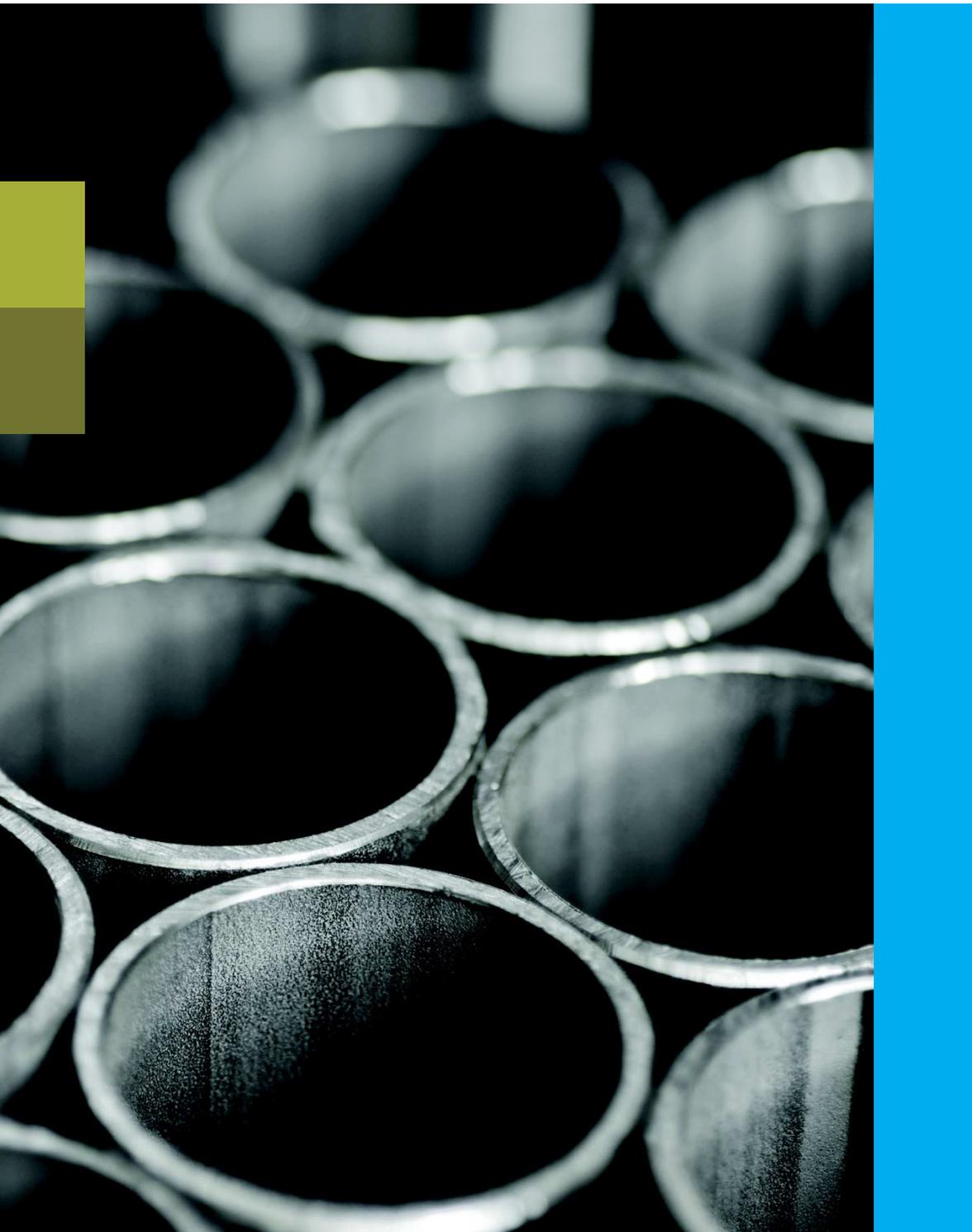
Cartography and documentation analysed:

- Habitats of community interest.
- Green corridors.
- Distribution of threatened species of flora and fauna.
- Red Natura 2000 (LIC, ZEC, ZEPA).
- Protected spaces, Biotopo, RAMSAR, special trees, PN).
- Natural spaces of interest (areas of naturalistic interest).
- DOT-, catalogue of spaces of the CAPV, LIG).
- Environmental Risk Analysis (ERA) Report of Tubos Reunidos Industrial dated 7 October 2016.

WATER BODIES AFFECTED BY WATER DISCHARGES AND/OR RUN-OFF

Tubos Reunidos has no evidence that its discharges affect bodies of water or runoffs or that they affect ecosystems.

SOCIAL COMMITMENT



We are a Group which is socially committed to human rights, ethics and integrity, good governance and sustainability, incorporating sustainable criteria and profitability in our processes. One of the key values that inspire our action is the generation of sustainable value in the long term for our customers, employees, shareholders, suppliers and society in as a whole.

In order to improve our competitiveness we have suppliers with a global and local presence, with which we contribute to the development of the communities where we operate. Similarly, we introduce ethical, environmental and social issues in the management of the entire supply chain.

## MANAGEMENT OF THE SUPPLY CHAIN

### EXPLANATION OF THE MATERIAL TOPIC AND ITS BOUNDARY DISCLOSURE

The strategy of Tubos Reunidos is focused towards **improving competitiveness through the supply chain**, counting on both local and global suppliers. The purpose is to streamline our supplies by demanding levels of price, quality and delivery time that enable us to obtain competitive advantages within our sector.

We develop initiatives for relations with our suppliers throughout the entire chain in order to improve our products with the added benefit of improving our manufacturing processes.

**Companies that choose to become suppliers of Tubos Reunidos must undergo an homologation process based on the criticality of the activity they carry out. Further, the Code of Ethics and Conduct of Tubos Reunidos sets the foundations of values and principles by which we govern our contractual relationships with our suppliers.**

Tubos Reunidos complies with the criteria of European and international management policies responsible for the supply chain of minerals from area of conflict or high risk.

### THE MANAGEMENT APPROACH AND ITS COMPONENTS

All organisational areas responsible for supply activities include planning needs, purchase management, development of all the quality processes and seeking synergies between all the companies in a fair and impartial manner.

Ensuring adequate amounts of raw materials in competitive terms (scrap, ferro-alloys, etc.) is an essential factor for making a steel making company like Tubos Reunidos a going concern. Therefore, access to critical raw materials and the ability to secure them in an ethical and sustainable way are key elements in order to achieve a competitive advantage position. In this regard, critical supplies with potential supply problems or restrictions have been identified and the corresponding measures to mitigate these risks have been adopted.

### ASSESSMENT OF THE MANAGEMENT APPROACH

Tubos Reunidos has incorporated **indicators to assess the effectiveness** of its management model as part of its objective-oriented management model framework:

- Competitive improvements arising from management of the supply chain (price conditions and product quality, etc.);
- Aspects relating to quality in the management of the supply chain. In this framework, monitoring and analysis of anomalies and possible claims arising from errors attributable to our suppliers (stock breakage, other quality problems in raw materials and other materials, delays in deliveries, etc.) is taken into account.

### SUPPLY CHAIN

The Group has a base of more than **1,500 suppliers worldwide**. As a steel company, suppliers are closely related to the recycling and the circular economy sectors, of raw materials for steel making, etc. It is also about an intensive industrial sector in energy consumption.

The sustainability strategy of Tubos Reunidos is for the supply chain is to contribute towards creating **sustainable production environments** that are efficient in the use of natural resources and energy and that also guarantees **respect for human and employment rights of our suppliers' workforces**.

### RATIO OF EXPENDITURE IN LOCAL SUPPLIERS

**In 2018, over 83% of the purchases of goods and services of the Group have been made to Spanish companies.**

A large part of the spending of Tubos Reunidos on goods and services in Spain goes to national companies (>83% of the total value of the purchases to over 1,500 suppliers in 2018).

**Most of the other purchases are made with companies of the European Union (>14%),** while the small remaining percentage (<3%) is spend on companies outside Europe, mainly in the US and Switzerland.

As regard to its operations in facilities in the USA, apart from the purchase of raw materials (seamless pipes) from the header production plants of the Group based in Spain, 100% of the purchases of other supplies and services are made from US suppliers.

### NEW SUPPLIERS THAT WERE SCREENED USING SOCIAL CRITERIA

Tubos Reunidos hires suppliers from countries that comply with international labour standards promoted by the **International Labor Organization (ILO)**. A critical value that inspires our policies, particularly in terms of purchasing and subcontracting, is the creation of long-term sustainable value for our customers, employees, shareholders, suppliers and society as a whole.

In order to guarantee social and equality rights, a **claim channel** has been launched through the Group's website so that any employee of a supplier or anyone with knowledge of any practice contrary to the rights of association and collective bargaining, or such inspiring principles, may bring it to the attention of the Company so that appropriate measures are taken. Since the opening of this public complaints channel, no communication has been received in this regard.

The contracting policy of Tubos Reunidos requires the selection of suppliers that comply with the applicable legal requirements for activities performed by our organisation in terms of **quality, the environment, occupational health and safety**, ensuring at all times that damage and of workers' health are reduced and prevented when carrying out their work. This entails the commitment by the suppliers of the fulfilment of the current legislation in relation to the aspects for which they are requested all the legal documentation that is considered appropriate. Suppliers that carry out their activities in the facilities of the Group should adapt to our company policies in every respect.

**Of the total volume of purchases in 2018 over 97% have been made to companies of the European Union. The legislation of the member countries is a guarantee in terms of social rights.**

Currently, **Tubos Reunidos** has over 250 approved companies. Including, besides all the raw materials suppliers (ferro-alloys, additives, etc., with the exception of scrap), the suppliers of goods that are incorporated into the product we manufacture (packaging, chemical products, etc.) as well as the auxiliary workshops in which operations are carried out on our pipes and which are considered essential in order to meet the quality standards required by our customers.

All those companies that access our facilities to carry out their activity must be authorised to do so in order to ensure compliance on their part with our occupational risk prevention policies, as well as those that supply critical assets that affect safety (elevation items, etc.).



## NEGATIVE SOCIAL IMPACTS IN THE SUPPLY CHAIN AND ACTIONS TAKEN

**Tubos Reunidos** follows a **public and transparent ethical code** that ensures the ethical integrity of the supply chain at all levels. Any violation of said code in the supply chain can be communicated to the whistle-blower channel by anyone, regardless of whether they form part of the company or supply chain or not.

No purchases are made in countries in conflict, focusing all 2018 supply in the European Union, as mentioned above, with more than 97% of the total volume of purchases and the remaining 3% in countries such as the United States and Switzerland. This guarantees the social impact that our activity causes in the supply chain.

## COMMUNITY

### EXTERNAL INITIATIVES

**Tubos Reunidos** is a Group which is committed to the implementation of the content of the **Universal Declaration of Human Rights**, the **United Nations Global Compact** and other treaties and international organizations treaties such as the **Organization for Economic Cooperation and Development (OECD)** and the **International Labour Organization (ILO)**.

During 2018, the Company has joined the "Pact for a Circular Economy - The commitment of economic and social agents 2018-2020" promoted by the Ministries of Agriculture and Fisheries, Food and Environment and the Ministry of Economy, Industry and Competitiveness. The challenge of achieving the transition shall only be possible through the collaboration of society.

### AFFILIATION TO ASSOCIATIONS

**Tubos Reunidos'** participation in specific industrial and business associations at local, regional, state and international levels. In the current financial year **the Group has collaborated with these 16 entities:**

- European Steel Tube Association (ESTA)
- Asociación de Empresas con Gran consumo de Energía (AEGE)
- SEA Empresarios Alaveses (SEA)
- Asociación Nacional de Fabricantes de Bienes de Equipo (SERCÓBE)
- Unión de Empresas Siderúrgicas (UNESID)
- Asociación Bilbaína de Amigos de la Opera (ABAO)
- Euskalit - Gestión Avanzada
- Federación Vizcaína de Empresas del Metal (FVEM)
- National Association of Steel Pipe Distributors (NASPD)
- Association of the Navarre Industry
- Marketing Club of Navarre
- Association of SME's Metal Companies of Navarra (APMEN)
- Spanish Association of Non-Destructive Testing (AEND)
- CDE Surveillance of Standards
- Chemical and Steel Analysis Association
- Novia Salcedo Foundation

Throughout 2018 the Group has also participated in the foundation, together with other Basque companies and in collaboration with the Basque Government and the Provincial Council of Bizkaia, of the Innovation Centre for the Oil & Gas sector from Euskadi "EIC Energy Advanced Foundation Engineering", whose scope and objectives are to define and develop a collaborative infrastructure among industries related to oil and gas, and energy in general, focused on the development of the business.

## INVESTMENTS IN INFRASTRUCTURES AND SUPPORTED SERVICES

Tubos Reunidos did not make any investment in infrastructure or supported services in 2018.

## SIGNIFICANT INDIRECT ECONOMIC IMPACTS

The industrial activity of the Group has a **very significant indirect economic impact** on the local and regional economies where industrial plants are located, creating direct local work, collaborating with local and regional institutions to promote **sustainable social and economic development**. In addition, this industrial activity generates a significant number of indirect jobs in auxiliary sectors, restoration services, safety, health, transportation, and skilled labour.

The Company is in constant **collaboration with Vocational Training Centres**, providing their students with the opportunity to work as interns in the company to enable them to obtain their qualifications. It also grants a number of **grants for professional studies** via local authorities for young people with economic disadvantages, thereby enabling the community to develop.

**We collaborate with universities by taking in internship students through collaboration agreements.**

The significant negative environmental impacts (potential and real) of the Group are shown in the chapter dedicated to our commitment with the environment of this report and are related to the use of resources, effects on soil, disturbance, waste generation, spills and emissions into the atmosphere.

These impacts are minimised through the management models established in the plants in order to comply with legal requirements, and others established by competent authorities or voluntarily agreed with stakeholders. **Finally, Tubos Reunidos** has several environmental responsibility insurances policies to cover any possible environmental damage that might be caused as a result of its activities.

## OPERATIONS WITH LOCAL COMMUNITY ENGAGEMENT, IMPACT ASSESSMENTS AND DEVELOPMENT PROGRAMMES

Our Group also echoes the needs of the local communities where it is located and by doing so participates by contributing in different ways to activities that provide intangible wealth and development to the community. For example, it is in permanent contact with educational institutions, such as universities or vocational training centres, in order to take advantage of their job bank and make offers of employment in the same.

Nevertheless, as a result of the situation that the Company is experiencing in recent years, during 2018, although no formal complaints have been received from local communities, they have shown concern with actions with social consequences that have taken place in some of the Group's plants.

## OPERATIONS WITH SIGNIFICANT ACTUAL AND POTENTIAL NEGATIVE IMPACTS ON LOCAL COMMUNITIES

Alongside the strictest possible compliance with occupational health and safety and environmental legislation, the **Tubos Reunidos Group** undertakes to contribute towards conserving natural resources and spaces that are of ecological, scenic, scientific or cultural interest. To this end, it establishes the best practices and promotes knowledge and use of same amongst its employees.

It is necessary to underline the commitment to the objectives entered into in the voluntary agreement signed by the companies of the steel sector and the Department of Town and Country Planning of the region and the Department of the Environment of the Basque Government.

Given the importance of **preventing contamination** and the impacts it might have on local communities, all the companies that form **Tubos Reunidos**:

- Have **Integrated Environmental Authorisations (IEA)** that establish the operating conditions of facilities in order to protect the quality of the air, water, soil and for suitable waste management, along with due oversight of any environmental factors.
- Establish **plans and resources to reduce environmental risks** from their activities by assuming full responsibility in terms of prevention, avoidance and repair in the event of adverse effects on the environment.
- Apply the **best technology** available to their processes and activities.

## NON-COMPLIANCE WITH LAWS AND REGULATIONS IN THE SOCIAL AND ECONOMIC AREA

According to the **company's** Code of Ethical Conduct and its Criminal Liability Prevention Plan, the Group sets out to ensure that its conduct and that of the people related to it in any way comply with its system of corporate, ethical principles and generally accepted social responsibility, alongside the provisions of legislation currently in force.

The ethical standards of the Group establish that its professionals shall strictly comply with legal standards in force in the place where they carry out their activities, according to the spirit and purpose of the law and shall observe the provisions of the ethical code, the standards of corporate governance and the basic procedures that regulate the Group's activities and the society where they provide their services. Likewise, they will respect in full the obligations and commitments assumed in their contractual relationships with third parties, as well as the uses and good practices of the countries in which they perform their activity.

**In 2018 there has been no fine or significant sanction (above EUR 20,000).**

The Group shall always respect and submit to the judicial or administrative decisions that are given, but it reserves the right to appeal against said decisions or resolutions when it considers that they are not legally valid. The management approach of **Tubos Reunidos** on this matter is described in greater detail in the section "Mechanisms for advice and concerns about ethics" in the "Ethics and Integrity" chapter herein.

## HUMAN RIGHTS

### CASES OF DISCRIMINATION AND CORRECTIVE ACTIONS UNDERTAKEN.

### OPERATIONS AND SUPPLIERS WITH SIGNIFICANT RISK OF CASES OF CHILD LABOUR. OPERATIONS AND SUPPLIERS WITH SIGNIFICANT RISK OF CASES OF FORCED OR COMPULSORY LABOUR. CASES OF HUMAN RIGHTS VIOLATIONS

As a Group committed to human rights, ethics, integrity and good governance, there is no room in the Company or in the companies of our suppliers for actions that attempt against the abovementioned rights. In accordance with these principles and the legislation in force in the countries where we operate, both child labour and forced or compulsory labour are banned in **Tubos Reunidos**. Similarly, most of our suppliers come from countries where these rights are legally protected, guaranteeing that they are aligned with our values.

No complaints have been received regarding discrimination, forced labour or child labour during 2018.

**In Tubos Reunidos we are committed to the creation and maintenance of quality and local work that preserves the wealth of our environment.**

We would like to create a work environment where the people of the Company can develop and give their best. In such a context, there is no room for any type of discrimination: race, gender, religion, political opinion, nationality or social origins, etc. Therefore, based on the principle of equal opportunities, we assess all the applications we receive.

**Tubos Reunidos** is especially committed to **gender equality** and we have equality programmes or commitments to prepare them in the companies that form part of the Group.

### OPERATIONS AND SUPPLIERS IN WHICH THE RIGHT TO FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING MAY BE AT RISK

As mentioned in the section of this chapter "New suppliers that were screened using social criteria", **Tubos Reunidos** hires suppliers from countries that comply with international labour standards promoted by the International Labour Organization (ILO). In this section and in the previous "Ratio of spending on local suppliers", information is also offered related to the complaints channel created to guarantee social and equality rights and the distribution by markets of the global volume of purchases of the Group, respectively.

All the companies of **Tubos Reunidos** in Spain are covered by the collective bargaining agreements that correspond to them, either within the company or by provincial agreements and all of them have company committees formed after the due election processes have taken place.

**There has been no sanctioning resolution in 2018, be it judicial or administrative, pointing out any violation of the right to exercise freedom of association and collective bargaining in the set of Group companies.**

RDT, the Group company located in Texas also operates within the current legislative framework and there are no disputes or judicial proceedings for breaches of American labour legislation.

### SECURITY PERSONNEL TRAINED IN HUMAN RIGHTS POLICIES OR PROCEDURES

At present the functions of surveillance and security of the manufacturing facilities in Spain are covered by subcontracted companies. The Group regularly requests from these companies the necessary documentation that is required from subcontracted companies to access the facilities, ensuring in this way their compliance with current legislation.

### OPERATIONS THAT HAVE BEEN SUBJECT TO HUMAN RIGHTS REVIEWS OR IMPACT ASSESSMENTS

As mentioned above, **Tubos Reunidos** is a Group committed to compliance with human rights, so that all its activities and relations with the environment defend said rights.

### EMPLOYEE TRAINING ON HUMAN RIGHTS POLICIES OR PROCEDURES

In 2018, we are not aware that employees have been trained in specific human rights policies or procedures within the Group, while it is true that these are issues that, based on our code of conduct, have no place in our operations.

### SIGNIFICANT INVESTMENT AGREEMENTS AND CONTRACTS THAT INCLUDE HUMAN RIGHTS CLAUSES OR THAT UNDERWENT HUMAN RIGHTS SCREENING

There were no significant investment agreements or contracts in 2018 that put the protection of human rights at risk or that affected the reputation of **Tubos Reunidos**.

## FISCAL FINANCING

### DIRECT ECONOMIC VALUE GENERATED AND DISTRIBUTED

(In thousand euros)	2018
Direct economic value generated	353,549
Economic value distributed	377,286
Operational costs	242,053
Salaries and benefits of employees	90,123
Payments to providers of capital – Dividends	0
Financial expenditure	12,144
Payments to Public Administrations	32,865
Investments in the Community	101
Economic value distributed	[23,737]

In this year, Tubos Reunidos has not made payments to the different tax administrations of each of its companies as corporate tax. This is due to the results obtained in the previous financial year, so none of them has accrued a tax to pay for profits in the current financial year.

The direct general economic value is considered to be the total turnover, the financial income and the revenue obtained from sale of premises.

Operational costs are regarded as the costs of materials, product components and acquired services.

Payments to public administrations are regarded as payments to public administrations in Spain without VAT.

Investments in the community are regarded as expenses of associations, sponsorship and contributions to foundations.

The amount of contributions to foundations and non-profit entities amounted to 10,000 euros in 2018.

### FINANCIAL SUPPORT RECEIVED FROM THE GOVERNMENT

The activities of the Tubos Reunidos are characterised by a high investment demand for equipment and R+D+i projects to enable us to develop products with greater added value. These investments generate the deductions provided for in the tax regulations applicable to each company.

Group companies receive grants from official organisations from the Gaitek, Hazitek and Basque Industry programmes for the development of these projects. Likewise, official bodies such as the Centre for Industrial and Technological Development (CDTI) grant subsidised loans for the performance of projects.

The sums received for these items in Spain are listed below expressed in thousands of euros.

	2018
Subsidies for R+D+i projects	928
Other subsidies	68
Subsidised loans for R+D+i projects	-
Investment loans	-

In no case, the Company is aware that any public administration or Government has any type of shareholding in the same. The shares of the parent company of the Group are not nominative and are accepted for official quotation on the Stock Exchanges of Bilbao and Madrid. In the significant holdings reported to the supervisory body, the Spanish Securities and Investments Board, there is no report issued by any government or official entity.

## CUSTOMERS

### ASSESSMENT OF THE HEALTH AND SAFETY IMPACTS OF PRODUCT AND SERVICE CATEGORIES

Tubos Reunidos is concerned not only about the **health and safety** of its own workers and those of its subcontractors, but **also about that of its clients and their direct or indirect employees.**

To guarantee that the products manufactured are not dangerous and are used and handled correctly and reasonably, all the substances that play a part in the manufacturing process and that form part of the end product (including lacquers and varnishes) have their own Safety Sheet in accordance with the Community legislation and regulations such as EU 453/2010 (Requirements for preparation of Safety Data Sheets) and EU 1907/2006 (on the Registration, Evaluation, Authorisation and Restriction of Chemicals [REACH]), among other, in compliance with the Quality standard ISO 9001, for which we are certified.

**Both in 2018 and in previous years, there is no evidence of any incident or case of non-compliance related to the impacts on the health and safety of the products and services categories.**

### REQUIREMENTS FOR PRODUCT AND SERVICE INFORMATION AND LABELLING

The Tubos Reunidos Group gives special importance to the **accuracy and truthfulness of the information** that is marked or labelled on products that are manufactured in line with what is indicated on the corresponding quality certificates. The same criterion is followed in product marketing and commercial activities.

Given the nature of our products, its marking and labelling are carried out **in accordance with international standards** according to the type of product being manufactured and as per the instructions received and agreed with our clients and legislation currently in force in the countries of origin and destination.

The main objective of the marking is to correctly identify the product and to correctly trace it with the attached documentation (quality certificates, delivery notes, invoices, etc.).

In the websites of Tubos Reunidos Industrial, Productos Tubulares and RDT, you may check the different certifications API 5L, ASME, API 5CT, etc. with which the product is marked and labelled.

### NON-COMPLIANCE CASES RELATED TO INFORMATION, LABELLING OF PRODUCTS AND SERVICES AND MARKETING COMMUNICATIONS

Tubos Reunidos has not received any fine, penalty or warning for non-compliance of regulations concerning product and service information and labelling in the assessment period of this report. The Group has not received any fine, penalty or warning for non-compliance of regulations or voluntary codes of conduct concerning marketing communications or tools used to promote its products.

### CLAIM MANAGEMENT

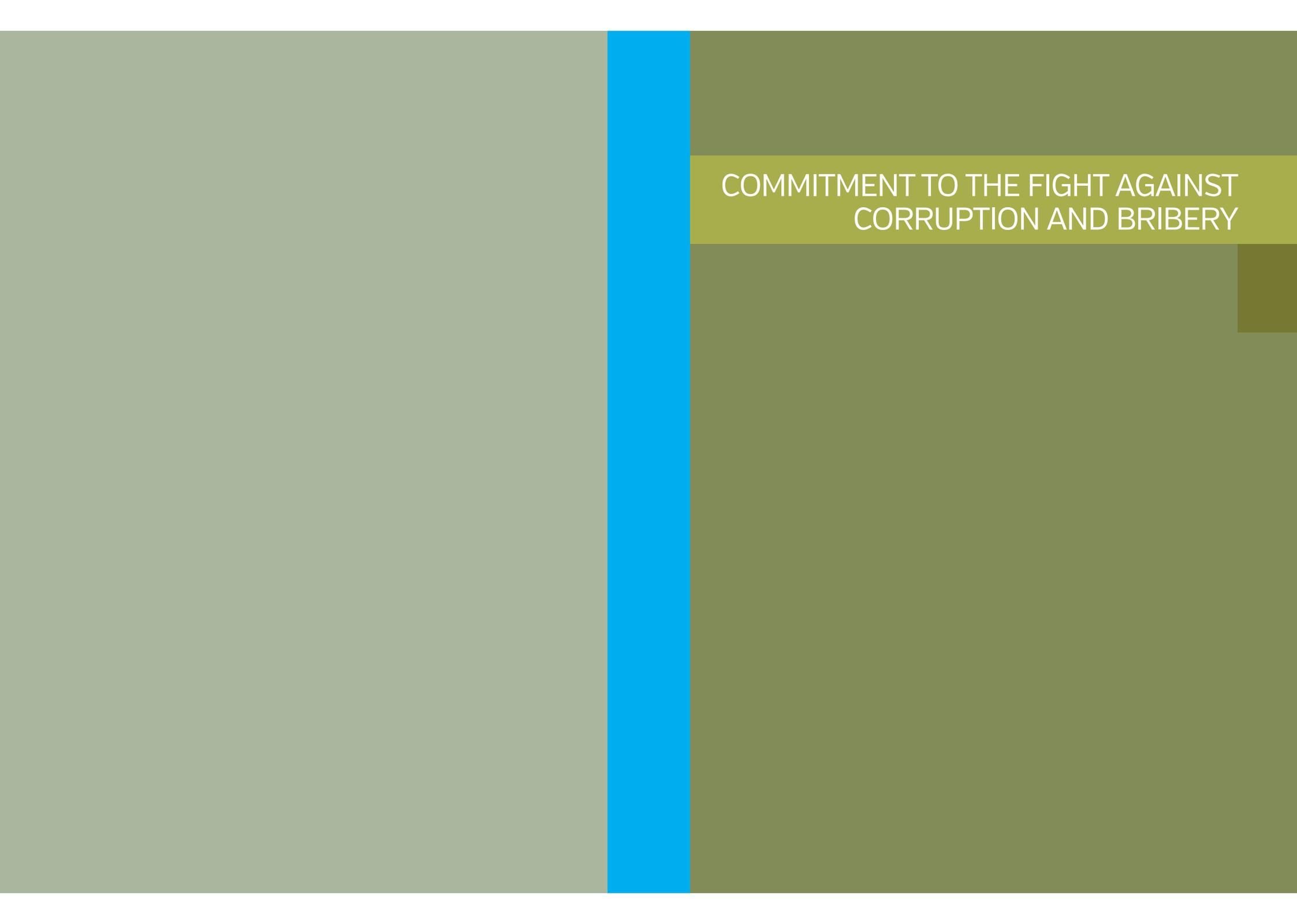
The commercial department registers all the claims of the companies; depending on the reason for the claim these are derived to the corresponding department to be managed and solved.

In 2018, 47 claims were made in Productos Tubulares and 70 in Tubos Reunidos Industrial, which were managed in their entirety.

### SUBSTANTIATED COMPLAINTS REGARDING CONCERNING BREACHES OF CUSTOMER PRIVACY AND LOSSES OF CUSTOMER DATA

All companies that make up the Group process all the information related to their customers (both that of strictly contractual content and, even more so if possible, that of a personal nature) under the most **strict confidentiality**. No personal data or commercial condition, or any other specifically agreed with the same, is communicated to third parties without the customer's prior express consent, except for those to which we are bound by law or administrative regulation.

**There is no claim to the Group regarding the loss of privacy or data belonging to our customers during financial year 2018.**



COMMITMENT TO THE FIGHT AGAINST  
CORRUPTION AND BRIBERY



Building trust and exercising transparency are essential features of good corporate governance. In **Tubos Reunidos** we have defined a framework of integrity that is reflected, among others, in a Code of Ethical Conduct, a Plan for the Prevention of Criminal Responsibility and an Independent Control Body. We foster an ethical business culture based on good work and transparency.

We strive to create long-term relationships of mutual trust between the Company and our stakeholders, and to be at the head of ethical and responsible performance in the markets in which we operate.

## OPERATIONS ASSESSED FOR RISKS RELATED TO CORRUPTION

The firm commitment of the Group in the fight against corruption and the establishment of mechanisms to ensure the existence of a culture that prevents illegal conduct can be seen in the **Group's Code of Ethical Conduct** and in the **Criminal Liability Prevention Plan**, both approved by the Board of Directors. Both measures and their implementation can be seen as a firm message of opposition to corruption and fraud in all shapes and forms.

The **Independent Control Body** carries out regular and ongoing assessment of risks in order to identify situations, factors or activities that might be exposed to illegal acts or situations of corruption and fraud. The Company develops a dynamic process to analyse and update these risks.

## COMMUNICATION AND TRAINING ABOUT ANTI-CORRUPTION POLICIES AND PROCEDURES

Continuous awareness-raising and training of staff about this issue is important. The compliance system of **Tubos Reunidos**, which sets out to promote a **culture of company ethics and transparency** and prevent illegal and fraudulent conduct, includes the preparation and implementation of effective training programmes, to enable professionals of the Group to receive training about the duties imposed by the Code of Ethical Conduct and the Criminal Liability Prevention Plan for Legal Entities, both of which must be complied with after being approved by the Board of Directors.

**Any ethical concern or complaint related to acts of corruption can be notified, with full confidentiality, through the claim channel established by the Company, available on its website. Said channel is managed by the Independent Control Body, who receives and processes the possible complaints.**

## MEASURES ADOPTED TO FIGHT AGAINST MONEY LAUNDERING

The Company is fully committed to complying with Law 10/2010, of 28 April, on the **Prevention of Money Laundering and Financing of Terrorism**, and specifically contemplates money laundering in article 301 of the current Criminal Code, in point 2.9 of Annex 5.1 "Catalogue of Crimes" of its Plan for the Prevention of Criminal Responsibility.

In **point 4.3**, the Code of Ethical Conduct, expressly establishes that **Tubos Reunidos** expects its customers to behave and manage their economic activities in accordance with the law and requests their collaboration to effectively comply with the institutional objective and social commitment to prevent Money laundering and financing of terrorist activities.

According to the specific analysis performed, which is reflected in the Prevention Plan, Annex 4, "**Prevention Measures**", the level of risk prior to the **Plan of Measures** is moderate and of low probability. As a result of the adoption of said plan, which includes the claim channel, the Independent Control Body, the sanctioning procedure, personnel training, awareness actions and adherence to codes of good conduct, the final risk of this crime is reduced one level and becomes tolerable, with a minimum probability of commission.

Taking into account the existence of this risk, which is considered tolerable, **Tubos Reunidos** prevents, in good faith, with all the means at its disposal, the conducts related to the conversion or transfer of goods knowing that they originate from a criminal activity. Likewise, it has control mechanisms in place that prevent the acquisition of assets whose purchase or possession has its origin in a crime, and the financing of terrorism.

The Company has established and applies collection and payment policies to avoid being used by criminal money laundering networks, such as avoiding cash payments, and always being **cautious** and using due diligence in their daily business relationship with customers and suppliers, as well as in the conduct of their assets or corporate operations, to avoid the commission of crimes.

The **Group** carries out the reliable identification of the customer and the rest of the participants in any operation, the identification of the real owner of the transaction beyond the persons who intervene on their behalf, or in the case of legal entities, the identification of the physical persons that exercise real and effective control over these, and the verification of the purpose and nature of the business in which they are involved. This purpose must be consistent with the information provided by the customer, supplier, seller or buyer regarding their business and professional activity. It also continuously monitors the relationship with the customer, in order to detect if there are any anomalies in their activity that make them suspicious in the participation of money laundering activities.

**To date, Tubos Reunidos has not detected suspicious operations of money laundering before executing them. In case of detection once started, Tubos Reunidos would abstain to move forward in the relationship and communicate to the authorities any information on the matter.**

## CONFIRMED INCIDENTS OF CORRUPTION AND ACTIONS TAKEN

The Independent Control Body has not record and has not been informed via established ethical channels of any court rulings related to cases of corruption during the period of the report. No incidents or complaints have been recorded via the channels established for this purpose that might have led to the cancellation of orders or contracts with Group clients or suppliers.

## LEGAL ACTIONS FOR ANTI-COMPETITIVE BEHAVIOUR, ANTI-TRUST AND MONOPOLY PRACTICES

In 2018 **Tubos Reunidos** managed the issue of anti-competitive behaviour responsibly, always complying with the provisions of national and international legislation on the matter and avoided monopoly practices and anti-competitive conduct.

In the implementation of our Code of Ethical Conduct, in point 4.1, "**Fair Competition**", the Group has prohibited any action that involves the use of unfair competition and it undertakes to ensure compliance with the anti-monopoly laws applicable in the countries where it operates. It therefore operates in the market by entering into free competition with other companies of the same sector, which encourages **economic efficiency and sustainable growth** and it maintains a firm commitment to fair competition in markets, favouring transparency and the rules of the free market.

**Tubos Reunidos** has not used any advertising that is false or that denigrates its competitors or third parties.

Practices such as price fixing, the coordination of offers, the creation of market or production restrictions, the imposition of geographical quotas, and the assignment of customers, suppliers, geographical areas or product lines.

## POLITICAL CONTRIBUTIONS

**Tubos Reunidos** has a firm commitment to complying with the law and the institutional respect that should mark any relations with public authorities and their representatives.

The Code of Conduct of the Group prohibits bribes to public authorities and government employees or any payment of any kind, presents, gifts or favours that do not form part of market uses or that, due to their value, their characteristics or circumstances, might reasonably alter the progress of commercial, administrative or professional relations in which its companies play a part. In this regard, **the Group** did not make any political contributions in 2018 or in previous years.



## PARAMETERS OF THE REPORT

## ENTITIES INCLUDED IN THE CONSOLIDATED FINANCIAL STATEMENTS

The list of dependent companies, all of which are consolidated by the full consolidation method because they hold a majority share or control of the Company, is as follows:

Company	Activity	%	Company of the owner group
Tubos Reunidos Industrial S.L.U. (TRI)	Industrial	100	T.R.
Productos Tubulares S.A.U. (PT)	Industrial	100	T.R.
T.R. Aplicaciones Tubulares de Andalucía S.A. (TRANDSA)	Without activity	100	T.R.
Aceros Calibrados S.A.U. (ACECSA)	Industrial	100	T.R.
Tubos Reunidos Premium Threads S.L. (TRPT)	Industrial	51	T.R.
T.R. América Inc. (TRAME)	Marketer	100	T.R.
T.R. Comercial S.A.	In settlement	100	T.R.
Clima S.A.U. (CLIMA)	Portfolio Company	100	T.R.
Aplicaciones Tubulares S.L.U. (ATUCA)	Holding	100	T.R.
RDT Inc.	Industrial	100	Aplicaciones Tubulares, S.L.
Tubos Reunidos Services S.L.U. (TRSV)	Industrial / Real estate	100	T.R.

## REPORTING FRAMEWORK USED

### RESTATEMENT OF INFORMATION

This report on the statement of non-financial information is the first to be carried out by Tubos Reunidos as such, although the Company prepared the Sustainability Report for 2017. This report was prepared as part of the Group's Consolidated Management Report on 27 February 2018. The Company has not been forced to restate any information from previous years, nor to add additional information to the 2017 financial year report.

### ABOUT THE PREPARATION OF THIS REPORT: CYCLE OF PREPARATION AND CHANGES

The current report reflects the economic, social and environmental performance of Tubos Reunidos in financial year 2018. It is prepared on an annual basis.

In spite of being the first year that it is prepared as such, as mentioned, there has not been any significant change in the list of material topics and coverage of the issues regarding the non-financial information status of 2017.

## CONTACT

Any query related to this report can be made through the following channels:

- On the Group's website: [www.tubosreunidos.com](http://www.tubosreunidos.com)

- In the following locations:

#### · Company and corporate address

Barrio de Sagarribai, 2  
01470 Amurrio, Álava [Spain]  
Tel: [+34] 945 89 71 00  
Fax: [+34] 945 89 71/54/55/56  
<http://www.tubosreunidos.com/es/localizacion.php>

#### · Corporate Offices

Máximo Aguirre, 18, 8º  
48011 Bilbao, Vizcaya [Spain]  
Tel: [+34] 945 89 71 00  
Fax: [+34] 94 441 74 67

## TABLE OF CONTENTS OF LAW 11/2018

Business model	Page	Criteria of reporting
Description of the business model	9, 13-15, 18-19, 123	GRI 102-1, GRI 102-2, GRI 102-5, GRI 102-7, GRI 102-14, GRI 102-45
Organization and structure	24-29	GRI 102-18, GRI 102-20, GRI 102-22, GRI 102-23, GRI 102-24, GRI 102-26
Geographical presence	16-17	GRI 102-4, GRI 102-6
Objectives and strategies	9, 23-24	GRI 102-14, GRI 102-15
Main factors and trends that affect future developments	23-24	GRI 102-15
<b>Strategy and risk management</b>		
Description of the policies applied by the company	20, 24, 30-31, 38, 44, 78-79, 100	GRI 102-35, GRI 103-1, GRI 103-2
Results of the policies applied by the company	32-34, 39, 44, 79, 100	GRI 102-36, 102-37, GRI 103-3
Main risks about issues related to the activities of the company	23	GRI 102-15
<b>Non-financial information report profile</b>		
Reporting framework used	7, 124	GRI Standards
Materiality assessment	35-37	GRI 102-46, GRI 102-47
<b>Environmental issues</b>		
<b>Environmental management</b>		
Effective and foreseeable effects of the company's activities on the environment and, where appropriate, on health and safety	79, 81-82	GRI 103-3, GRI 307-1, GRI 308-2
Assessment procedures or environmental certification	79-80	ISO 14001:2015
Resources dedicated to the prevention of environmental risks	80	Environmental expenses and investments based on accounting criteria

Application of the precautionary principle	80	GRI 102-11
Amount of provisions and guarantees for environmental risks	81	Law 26/2007 on Environmental Responsibility
<b>Pollution</b>		
Measures to prevent, reduce or repair carbon emissions that seriously impact the environment	89-90	GRI 305-1, GRI 305-2, GRI 305-4
Any other forms of air pollution linked to an activity, including noise and light pollution	91	GRI 305-6, GRI 305-7
<b>Circular economy and prevention and waste management</b>		
Measures of prevention, recycling, reuse, other forms of recovery and disposal of waste	83, 92-94	GRI 301-2, GRI 306-1, GRI 306-2, GRI 306-3, 306-4
<b>Sustainable use of resources</b>		
Consumption of water and water supply according to local limitations	86-87	GRI 303-1, GRI 303-2, GRI 303-3
Consumption of raw materials	83	GRI 301-1, GRI 301-2
Consumption of direct and indirect energy	84-85	GRI 302-1, 302-3
Measures to improve energy efficiency	78, 84-85, 88	GRI 302-4
Use of renewable energies	84	GRI 302-1
<b>Climate change</b>		
Emissions of greenhouse gases	89-90	GRI 305-1, GRI 305-2, GRI 305-4
Measures to adapt to climate change	88	GRI 201-2
Reduction objectives of greenhouse gases	88	GRI 305-5

<b>Biodiversity</b>		
Measures to preserve or restore biodiversity	95	GRI 304-2, GRI 304-3
Impact caused by the activity	95	GRI 303-2, GRI 304-1, GRI 304-2, GRI 304-3, GRI 306-5
<b>Social and Staff Issues</b>		
<b>Job</b>		
Number and distribution of employees by country, gender, age, professional classification and work modality	45-46	GRI 102-8
Yearly average of contracts by type of contract broken down by gender, age and professional classification	45-46, 57	GRI 102-8, GRI 401-1
Number of dismissals by gender, age and professional classification	57	GRI 401-1
Remunerations average by gender, professional classification and age	48-51, 53	GRI 201-3, GRI 202-1, GRI 405-2
Salary gap; the remuneration of equal or average jobs in the company	50-51	[average salary of men - average salary of women] / average salary of men
Average remuneration of Executives and Directors	47-48	GRI 102-38, GRI 102-39, GRI 405-2
Implementation of labour disconnection measures	58	GRI 401-2
Percentage of employees with disabilities	73	GRI 405-1
<b>Organization of the work</b>		
Organization of working time	52	GRI 102-41
Number of hours of absenteeism	58-59, 68	GRI 403-2
Measures to facilitate conciliation	55-56	GRI 401-2, GRI 401-3

<b>Health and safety</b>		
Conditions of health and safety at work	60-68	GRI 403-1, GRI 403-2, GRI 403-3, GRI 403-4
Injury rate by gender	62-63	GRI 403-2
Severity rate by gender	62-63	GRI 403-2
Occupational diseases by gender	62-63	GRI 403-2
<b>Social relations</b>		
Organisation of social dialogue	52-53, 58, 60-61	GRI 102-41, GRI 201-3, GRI 402-1, GRI 403-1
Percentage of employees covered by collective agreements by country	49, 52	GRI 102-41
Balance of the agreements in the field of health and safety	60-61, 67	GRI 403-1, GRI 403-4
<b>Training</b>		
Politics implemented in the field of training	69-71	GRI 404-2, GRI 404-3
Total number of hours of training by professional categories	69	GRI 404-1
Universal accessibility for people with disabilities	73	GRI 405-1
<b>Equality</b>		
Measures adopted to promote equal treatment and opportunities between women and men	48-49, 72-73	GRI 401-3, GRI 405-1, GRI 405-2
Equality plans (Chapter III of Organic Law 3/2007, of 22 March, for the effective equality of women and men) and measures adopted to promote employment, protocols against sexual harassment and for gender	49, 55, 106	GRI 405-1
Integration and universal accessibility for people with disabilities	73	GRI 405-1

Politics against all types of discrimination and management of diversity, as the case may be	49, 106	GRI 406-1
<b>Information on respects towards human rights</b>		
Application of due diligence procedures in the field of human rights	20-21, 99, 103, 106-107	GRI 102-12, GRI 102-16, GRI 102-17, GRI 410-1, GRI 412-1, GRI 412-2
Prevention of the risks of human rights violations and, where appropriate, measures to mitigate, manage and repair possible abuses committed	21, 101-102, 106-107	GRI 102-17, GRI 412-2, GRI 412-3, GRI 414-1, GRI 414-2
Claims for cases of human rights violations	21, 106	GRI 102-17, GRI 406-1, GRI 408-1, GRI 409-1
Promotion and compliance with the provisions of the fundamental ILO conventions related to the freedom of association and the right to collective bargaining	101, 106	GRI 407-1, GRI 414-1
Elimination of discrimination in employment and occupation	106	GRI 406-1
Elimination of forced or compulsory labour	106	GRI 409-1
Effective abolition of child labour	106	GRI 408-1
<b>Commitment to the fight against corruption and bribery</b>		
Measures to prevent corruption and bribery	20-22, 116, 118-119	GRI 102-16, GRI 102-17, GRI 102-25, GRI 205-1, GRI 205-2, GRI 205-3, GRI 206-1, GRI 415-1
Measures adopted to fight against money laundering	20, 117	GRI 102-16, GRI 205-3
Contributions to foundations and non-profit entities	108	GRI 201-1
<b>Information about the society</b>		
<b>Commitments of the company to sustainable development</b>		
Impact of the company's activity in employment and local development	101, 104	GRI 203-2, GRI 204-1, GRI 413-1
Impact of the company's activity in local population and in the territory	104-105	GRI 413-1, GRI 413-2
Relationships with the local community players and the modalities of dialogue with them	36, 103-104	GRI 102-12, GRI 102-43, GRI 413-1

Actions of association or sponsorship	103	GRI 102-13
<b>Subcontracting and suppliers</b>		
Inclusion in the purchasing policy of social issues, gender equality and environmental issues	20, 81, 107	GRI 102-16, GRI 308-1, GRI 414-1
Consideration in relations with suppliers and subcontractors of their social and environmental responsibility	81, 101	GRI 102-9, GRI 204-1, GRI 308-1, GRI 414-1
Systems of supervision and audits and the results of the same	82, 101-102	GRI 308-2, GRI 407-1, GRI 408-1, GRI 409-1, GRI 414-1, GRI 414-2
<b>Consumers (our customers)</b>		
Measures for the health and safety of consumers	110	GRI 416-1, GRI 417-1
Claim systems	111	GRI 416-2, GRI 418-1
Complaints received and their resolution	111	GRI 416-2, GRI 418-1
<b>Tax information and transparency</b>		
Profits obtained country by country	14, 108	GRI 201-1
Income tax paid	108	Taxes on profits paid based on accounting criteria
Public subsidies received	109	GRI 201-4



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RECYCLED PAPER

Independent limited assurance report on the Consolidated Statement of  
Non-Financial Information for the year ended December 31, 2018

Tubos Reunidos, S.A. and subsidiaries

Translation of a report originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails

## **INDEPENDENT LIMITED ASSURANCE REPORT ON THE STATEMENT OF NON-FINANCIAL INFORMATION OF TUBOS REUNIDOS, S.A. AND SUBSIDIARIES FOR THE YEAR 2018**

To the Shareholders of Tubos Reunidos, S.A.:

Pursuant to article 49 of the Code of Commerce we have performed a verification, with a limited assurance scope, of the accompanying Consolidated Statement of Non-Financial Information (hereinafter NFS) for the year ended December 31, 2018, of Tubos Reunidos, S.A. and subsidiaries (hereinafter, the Group), which is part of the Consolidated Management's Report of the Group.

The content of the NFS includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our review has been exclusively limited to the verification of the information shown in section "Table of contents of Law 11/2018", included in the Annex of the accompanying NFS.

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### **Responsibility of the Board of Directors**

The Board of Directors of the Group is responsible for the approval and content of the NFS included in the Consolidated Management's Report of Tubos Reunidos, S.A. The NFS has been prepared in accordance with the content established in prevailing mercantile regulations and following Sustainability Reporting Standards selected criteria of the Global Reporting Initiative (GRI), as well as other criteria described in accordance with that indicated for each subject in section "Table of contents of Law 11/2018", included in the Annex of the accompanying NFS.

The directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of a NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

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### **Our independence and quality control procedures**

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our Firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

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## Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed, that refers exclusively to 2018. Information on prior years was not subject to the verification required by prevailing mercantile regulations. Our work has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Guidelines on assurance engagements on the Non-Financial Statement issued by the Spanish Institute of Chartered Accountants.

The procedures carried out in a limited assurance engagement vary in nature and timing and are less extent in scope than reasonable assurance engagements, and therefore, the level of assurance provided is likewise lower.

Our work consisted in requesting information from Management and the various Group units participating in the preparation of the NFS, reviewing the process for gathering and validating the information included in the NFS, and applying certain analytical procedures and sampling review tests as described below:

- ▶ Meetings with Group personnel to gain understanding of the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- ▶ Analyzing the scope, relevance and integrity of the content included in the 2018 NFS based on the materiality assessment made by the Group and described in section "Materiality Assessment" of the NFS, considering the content required by prevailing mercantile regulations.
- ▶ Analyzing the processes for gathering and validating the data included in the 2018 Non-Financial Statement.
- ▶ Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the NFS.
- ▶ Checking, through tests, based on a selection of a sample, the information related to the content of the 2018 NFS and its correct compilation from the data sources.
- ▶ Obtaining a representation letter from the Board of Directors and Management.

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## Conclusion

Based on the procedures performed in our verification and the evidence obtained, no matter came to our attention that would lead us to believe that the 2018 NFS of the Group for the year ended December 31, 2018 has not been prepared, in all material respects, in accordance with the content established in prevailing mercantile regulations and the criteria of the selected GRI standards, as well as other criteria described in accordance with that indicated for each subject in section "Table of contents of Law 11/2018", included in the Annex of the NFS.

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**Use and distribution**

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signature on the original in Spanish)

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Antonio Capella Elizalde

April 3, 2019