

**SUPPORTING REPORT OF THE PROPOSAL SUBMITTED BY THE APPOINTMENT AND REMUNERATION COMMITTEE OF TALGO, S.A. REGARDING THE RATIFICATION AND RE-ELECTION OF MR. GONZALO URQUIJO FENÁNDEZ DE ARAOZ AS DIRECTOR OF TALGO, S.A. WITH THE CATEGORY OF EXECUTIVE DIRECTOR.**

This justificatory report is submitted by the Appointment and Remuneration Committee of TALGO, S.A. (“**Talgo**” or the “**Company**”) pursuant to the provisions of section 529 decies of the Companies Act (Ley de Sociedades de Capital) regarding the ratification and re-election proposal of Mr. Gonzalo Urquijo Fenández de Araoz as director.

Pursuant to article 10.2 of the Company’s Regulations for the Board of Directors:

*“The proposed appointments and re-elections of Directors that the Board of Directors presents for consideration by the General Shareholders’ Meeting and the appointment decisions of the Board of Directors, in its legally assigned powers of co-option, must be preceded by:*

- (i) the corresponding proposal by the Appointment and Remuneration Committee in the case of Independent Directors, which must be accompanied by an explanatory statement evaluating the competence, experience and merits of the proposed candidate; or*
- (ii) the report of the Appointment and Remuneration Committee in the case of the remaining Directors, which must assign the new Director to one of the categories defined in these Regulations.”*

And in the subparagraph 5 of article 10:

*“The appointment by co-option of Directors must respect the rules on the appointment of Directors established in law, the Articles of Association and these Regulations of the Board of Directors. If the vacancy arises after the General Shareholders' Meeting is called and before it is held, the Board of Directors may appoint a Director until the next General Shareholders' Meeting.”*

In same sense, article 26 of the same Company’s Regulations, when describe the competences of the Appointment and Remuneration Committee, set forth in its subparagraph (ii) letters (d) and (f):

*(d) “Report proposals for the appointment of other Directors by co-option or for the decision of the General Shareholders’ Meeting, and proposals for their re-election or removal to the General Shareholders’ Meeting.”*

*(f) “Examine and organize the succession of the Chairman of the Board of Directors and the Chief Executive Officer of the Company and, if applicable, draft proposals to the Board of Directors for succession in an orderly, planned manner.”*

And in the letter (p) of same subparagraph (ii):

*“On the appointment, ratification or re-election of Directors, draw up a report describing the result of the previous analysis of the needs of the Board of Directors, which will be published with the call for the General Shareholders' Meeting that will decide on the ratification, appointment or re-election of each director.”*

In accordance with the provisions of Law and the Corporate Governance System, the ratification and re-election proposal of Mr. Gonzalo Urquijo Fenández de Araoz as director, who must be assigned to the class of executive director, is submitted to the shareholders at the General Shareholders' Meeting upon a proposal of the Appointment and Remuneration Committee.

This supporting report assesses the qualification, experience, and merits of the proposed candidate as a whole to hold the office of director upon the terms of section 529 decies of the Companies Act.

The Appointment and Remuneration Committee deems appropriate for the Board of Directors to have members with extensive experience in the financial, industrial, energy and engineering sectors. Along these lines, the Appointment and Remuneration Committee views quite favourably Mr. Gonzalo Urquijo Fenández de Araoz profile, aptitudes, and experience, which are conform to the Company's needs delineated in the prior analysis, as well as his knowledge in the steel sector.

In preparing this ratification and re-election proposal, the Appointment and Remuneration Committee has taken into account the alignment of the professional profile of the candidate with the specific characteristics of the business carried out by the Company and the industry in which it does business, the international nature thereof, and especially his level of performance through the date hereof. In this regard, the Appointment and Remuneration Committee is of the opinion that all its members appropriately combine adequate qualifications and skills in the following areas: a) knowledge of the sector in which the Company operates; b) experience and knowledge in economic-financial and industrial aspects and in the management of human teams; c) international experience and knowledge of the most relevant geographical markets for the Company and d) experience and knowledge in management, leadership and business strategy.

Mr. Gonzalo Urquijo Fenández de Araoz curriculum vitae and the past performance whose re-election by co-option will be submitted to the next Board of Directors' Meeting shows his competencies in leading transformation/restructuring processes that have

allowed cost reduction and improvement of business operations, thus restoring or increasing business profitability and shareholder returns, his deep knowledge of the manufacturing sites or his strategic mindset: thinking long-term and applying market and business acumen, simplifying complexity to innovate and drive compelling strategies to achieve competitive advantage and that are realistic for the organization, thus ensuring the contribution of pluralistic viewpoints to the discussion of issues in the Board of Directors.. As a whole, the proposed re-election of director submitted to the shareholders at the General Shareholders' Meeting and on which this Appointment and Remuneration Committee reports contributes to maintaining the high level of quality in its composition.

Finally, the Appointment and Remuneration Committee has verified that Mr. Gonzalo Urquijo Fenández de Araoz meets the requirements of respectability, capability, expertise, competence, experience, qualifications, training, availability, and commitment to the duties of the position of director and that he is not affected, directly or indirectly, by any of the instances of disqualification from or prohibition against holding such office or by having interests that conflict with or are contrary to the corporate interest.