

REPORT JUSTIFYING THE PROPOSED APPOINTMENT OF MR JAVIER OLASCOAGA PALACIO AS DIRECTOR OF TALGO, S.A. WITH THE CATEGORY OF EXTERNAL PROPRIETARY DIRECTOR.

This report is prepared by the Remuneration and Appointments Committee of TALGO, S.A. ("Talگو" or the "Company") in accordance with the provisions of article 529 decies of the Spanish Companies Act in relation to the proposed appointment of Mr. Javier Olascoaga Palacio as director.

Pursuant to the provisions of article 10.2 of the Regulations of the Board of Directors of the Company:

“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.”*

Likewise, Article 26 of the same Regulations, when listing the powers of the Remuneration and Appointments Committee, establishes in section (ii) letter (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.”

And in letter (p) of the same section (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.”

Pursuant to the provisions of law and the Corporate Governance System, the proposed appointment as director of Mr Javier Olascoaga Palacio, who is to be assigned to the category of external proprietary director, is submitted to the shareholders at the General Shareholders' Meeting upon a proposal of the Appointments Committee.

This report assesses the competence, experience and merits of the candidate proposed for the position of director in accordance with the terms of article 529 decies of the Spanish Companies Act.

The Remuneration and Appointments Committee considers it advisable for the Board of Directors to have members with proven experience in the financial and industrial sectors and in business management. In this respect, this Committee reports favourably on the profile of Mr. Javier Olascoaga Palacio and highly values his skills and experience, which are in line with the needs of the Company that have been previously analysed.

In preparing this appointment proposal, the Committee has taken into account the suitability of the candidate's professional profile to the particularities of the business carried out by the Company and the sector in which it operates, its international nature and, especially, its level of performance to date. In this regard, the Committee considers that all of its members adequately combine sufficient skills and competencies in the following areas: a) knowledge of the sector in which the Company operates; b) experience and knowledge of financial aspects, human team management and regulatory frameworks; c) international experience and knowledge of the most relevant geographical markets for the Company; and d) experience and knowledge of management, leadership and business strategy. The curriculum vitae and track record of Mr. Javier Olascoaga Palacio, whose appointment is submitted to the General Shareholders' Meeting, accredits his competence as a director, his merits to hold the position of director, his extensive experience in markets relevant to the Company and its group and his in-depth knowledge in various financial and business fields, which guarantees the contribution of pluralistic points of view to the discussion of matters in the Board of Directors. Overall, the proposed appointment of directors submitted to the General Shareholders' Meeting contributes to the consolidation of the high level of quality in the composition of the Board of Directors.

Lastly, the Appointments Committee has verified that Mr. Javier Olascoaga Palacio meets the requirements of respectability, suitability, solvency, competence, experience, qualifications, training, availability and commitment to the duties of the post, and that he is not directly or indirectly affected by any of the causes of incompatibility, prohibition, conflict or opposition of interests with the corporate interest.