



ACTIVITY REPORT FOR TALGO, S.A.'S ADVISORY COMMITTEES

TALGO, S.A.'s Audit Committee comprised the following members as at 31 December 2015:

Name	Role	Category
MR EMILIO NOVELA BERLÍN	CHAIRMAN	Independent
MR MICHEL MOREAU	MEMBER	Independent
MR JOSÉ MARÍA MUÑOZ DOMÍNGUEZ	MEMBER	Proprietary

TALGO, S.A.'s **Audit Committee** met twice during 2015: on 15 July and 12 November. On both occasions, members of the Company's internal audit team and the external audit firm Deloitte were in attendance.

In its exercise of the powers vested in it by both the Law and the rules established by the Company's Corporate Governance System, the Audit Committee undertook activity in the areas and fields detailed below:

1. Internal Audit department:

- Annual assessment of activity in the department.
- Approval of the annual internal audit plan and the budget for the department.
- Monitoring report and recommendations.

2. Internal control and risk management systems:

- Oversight of the Internal Control System over financing reporting.
- Oversight of the Group's Risk Control System.
- On-going review of the internal control system.

3. External auditor:

- Proposal for the re-election of the external auditor and conditions of engagement.
- Establishment of the degree of collaboration and transparency with which the Company works and cooperates with the external audit firm.
- Report about the independence of the external audit firm.
- Attendance by the external auditor at committee meetings.
- Prior authorisation for non-audit services.

4. Process for overseeing the preparation of the economic and financial information:

- TALGO, S.A.'s individual and consolidated financial statements for 2015.
- TALGO, S.A.'s consolidated financial statements for the first and third quarters of 2015.
- TALGO, S.A.'s abbreviated consolidated financial statements for the first half of 2015.



Most of the Audit Committee's activity during 2015 was focused on issues relating to internal and external audit, risk oversight and the process of preparing the economic and financial information. The Internal Audit team attends Committee meetings on a regular basis, in the fulfilment of its duties, to support the Committee in the proper exercise of its duties and to serve as a channel of communication between the Audit Committee and the Company and its Group. In addition, senior management from several areas and departments of the Talgo Group attended meetings during the year in order to provide the members of the Audit Committee with an overview of their activities.

TALGO, S.A.'s Appointments and Remuneration Committee comprised the following members as at 31 December 2015

Name	Role	Category
MR ALBERTUS MEERSTADT	CHAIRMAN	Independent
MR JOHN CHARLES POPE	MEMBER	Independent
MR FRANCISCO JAVIER BAÑÓN TREVIÑO	MEMBER	Proprietary

During 2015, TALGO, S.A.'s **Appointments and Remuneration Committee** met three times: on 16 July, 13 November and 14 December 2015.

In its exercise of the powers vested in it by both the Law and the rules established by the Company's Corporate Governance System, the Appointments and Remuneration Committee undertook activity in the areas and fields detailed below:

- Analysis and approval of financial transactions entered into with some of the Group's Directors.
- Analysis and approval of long-term incentive plans involving the delivery of shares to some of the Group's Directors.
- Evaluation of the degree of compliance with the objectives set for the Group's Top Management in 2015.
- Analysis of the remuneration system for the members of the Board of Directors.
- Submitting suggestions to the Board of Directors to allow the Group to better comply with governing legislation regarding the composition of this governance body and the operation thereof.
- Proposing the appointment of members to the Board of Directors to cover vacancies arising therein.



- Preparation of a report to submit to the General Shareholders' Meeting regarding the appointment, re-election and/or ratification of the External Independent Directors.
- Determination of the procedures to be followed by members of the Board of Directors who want to acquire shares and/or financial instruments in the Company, in compliance with governing legislation in that area.
- Establishing objectives for the Group's Top Management for 2016.

According to the provisions of the Rules of the Board of Directors, the Appointments and Remuneration Committee is responsible for, amongst other things, analysing the process that allows for the orderly succession of the Chairman and CEO, who the Board is responsible for appointing, and reporting on the appointment and removal of directors reporting directly to the CEO.