

## ANNUAL REVIEW OF TALGO, S.A.'S ADVISORY COMMITTEES

TALGO, S.A.'s Audit Committee comprised the following members as at 31 December 2016:

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 on five occasions during 2016, on the following dates: (i) 18 February; (ii) 3 May; (iii) 27 July; (iv) 29 September; and 3 November. Representatives from the external audit firm Deloitte attended four of those five meetings and, members of the Company's internal audit team were present at every meeting.

During the exercise of the duties attributed to it by both the Law and the rules that comprise the Company's Corporate Governance System, the Audit Committee carried out the activities described below in the corresponding areas or fields:

**1. Internal Audit:**

- Annual assessment of the department's activity.
- Approval of the annual internal audit plan and the budget for the department.
- Follow-up report and recommendations.
- Report on the work performed in the procurement department.

**2. Internal control and risk management systems:**

- Supervision of the System of Internal Control over financial information.
- Supervision 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 the conditions of engagement.
- Verification of the degree of collaboration and transparency with which the Company collaborates and works with the external audit firm.
- Report on the independence of the external audit firm.
- Appearances by the external auditor at committee meetings.
- Prior authorisation for the provision of non-audit services.

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

- Talgo S.A.'s individual and consolidated annual accounts for 2016.
- Talgo S.A.'s consolidated financial statements for the first and third quarters of 2016.
- Talgo S.A.'s condensed consolidated financial statements for the first half of 2016.

Most of the Audit Committee's activity during 2016 was focused on issues relating to the internal and external audits, the supervision of risk and the process for preparing financial and economic information. The Internal Audit team attends the committee meetings on a regular

basis, given that the department is responsible for supporting the Committee, to ensure the correct exercise of its responsibilities, and for channelling dialogue between the Audit Committee, the Company and the Group, amongst other duties. In addition, senior managers from several of the Talgo Group's departments and teams attended committee meetings during the course of the year, with the aim of providing the members of the Audit Committee with a comprehensive overview.

TALGO, S.A.'s Appointments and Remuneration Committee comprised the following members as at 31 December 2016:

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

TALGO, S.A.'s **Appointments and Remuneration Committee** met on four occasions during 2016, on the following dates: 25 February; 17 March; 15 November; and 14 December 2016.

During the exercise of the duties attributed to it by both the Law and the rules that comprise the Company's Corporate Governance System, the Appointments and Remuneration Committee carried out the activities described below:

- Assessment of the degree of compliance with the objectives set for the Group's Top Management for the year 2016.
- Analysis of the remuneration system for the members of the Board of Directors.
- Analysis and approval of the long-term incentive plans, which involve the delivery of shares to certain Group executives.
- Preparation of the report to be submitted to the General Shareholders' Meeting regarding the appointment, re-election and/or ratification of the independent external directors.
- Make suggestions to the Board of Directors that allow the Company to best comply with governing legislation in terms of the composition of that governance body and its operation.
- Establish objectives for the Group's Top Managers for the year 2017.

Pursuant to the provisions of the Regulations governing the Board of Directors, the Appointments and Remuneration Committee is entrusted with, amongst other functions, analysing the process that allows for the orderly succession of the Chairman and CEO, whose appointment is the responsibility of the Board, and reporting on the appointment and dismissal of the directors that report directly to the CEO.

TALGO, S.A.'s Strategy Committee comprised the following members as at 31 December 2016:

Name	Role	Category
MRS BELÉN VILLALONGA MORENÉS	CHAIRMAN	Independent
MR JOSÉ MARÍA ORIOL FABRA	MEMBER	Executive
MR MICHAEL MOREAU	MEMBER	Independent
PEGASO TRANSPORTATION INTERNATIONAL, S.C.A.	MEMBER	Proprietary
MR JUAN JOSÉ NÁRDIZ AMURRIO	MEMBER	Independent

S.A.'s **Strategy Committee** met on three occasions during 2016, specifically on: 27 July; 28 September; and 14 November.

During the exercise of the duties attributed to it by both the Law and the rules that comprise the Company's Corporate Governance System, the Strategy Committee, under the immediate direction of the Chairman of the Board of Directors and the CEO of the Company, undertook the activities detailed below:

- Provide technical support to the Board of Directors regarding the strategic organisation and coordination of Talgo through the dissemination, implementation and monitoring of the overall strategy.
- Provide technical support, of an information and management nature, both with respect to the supervision and monitoring functions, as well as for planning the strategy of the businesses, which the Company's Board of Directors is responsible for defining and which the Chairman, CEO and rest of the management team are responsible for executing and driving, whereby enabling the development of the strategy for the Talgo business.
- Establish methodologies, systems of analysis, procedures for supervising decisions and instruments of control, in the interest and for the benefit of all of the companies that comprise the Group, always respecting the scope of ordinary management and the effective leadership that corresponds to the governance and management bodies.
- Promote the establishment of internal rules (regarding investments and divestments, purchases, corporate services, etc.) to serve as coordination tools for the service and interest of all of the Group's companies, facilitating the supervision and monitoring of decision-making in this regard, in order to ensure compliance with the strategies and management guidelines established by the Board of Directors of the Company, as the parent company of the Group.