

Report presented by the Appointments and Remunerations Committee to the Board of Directors of TALGO, S.A., in compliance with article 529 novodecies of the Law of Corporations (Ley de Sociedades de Capital), in connection with the proposal for an agreement on the Company's Policy on the Remuneration of the Directors 2019-2021.

11 April, 2019

I. Introduction:

This Report is compiled by the Appointments and Remunerations Committee of TALGO, S.A., in compliance with article 529 novodecies of the Law of Corporations (Ley de Sociedades de Capital), which establishes that the Company's Policy on the remuneration of the Directors shall be approved by the General Shareholders' Meeting, at least every three years, and the proposal of the Company's Policy on the remuneration of the Board of Directors shall be accompanied by an specific report of the Appointment and Remunerations Committee.

Accordingly, the purpose of the Report is to explain the criteria used by the Committee to propose to the Board the Company's Policy on the remuneration of the Board of Directors of TALGO, SA, which will be submitted, as a separate item on the agenda, for the approval of the General Shareholders' Meeting that will be held on May 21, 2019 at first call or, if the necessary quorum is not reached, at second call, the next day, May 22, 2019.

Additionally, and in accordance with article 541 of the Law of Corporations (Ley de Sociedades de Capital), upon proposal of the Board of Directors, the Annual Report on the remuneration of the Directors for the year 2018 shall be submitted to the General Shareholders' Meeting as a separate item on the agenda.

II. Appointments and Remunerations Committee: composition and duties regarding the remuneration of the Board of Directors and Senior Executives

Composition:

The Appointments and Remuneration Committee consists of a majority of independent Directors, which ensures their autonomy and freedom of judgment in the exercise of their functions of proposal and report in the key decisions within the scope of their powers. All the members of the Committee have experience and knowledge in accordance with their duties.

As of the date of issuance of this Report, the Appointments and Remuneration Committee consists of three Non-Executive Directors, of which two have the status of Independent Directors and the Non-Director Secretary.

Position	M e m b e r	Date of Appoin tment	Statu s
Chairman	Albertus Meerstadt	30/03/2015	Indepenent External
Director	John Charles Pope	30/03/2015	Indepenent External
Director	Javier Bañón Treviño	30/03/2015	Dominical External

Secretary	María José Zueco Peña	30/03/2015	Non-Director Secretary
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Duties regarding the remuneration of the Board of Directors and Senior Executives:

The Appointments and Remuneration Committee is responsible for the appointment and removal of Directors and Senior Executives, as well as the setting of their remuneration.

In accordance with the Bylaws and the Regulations of the Board of Directors of the Company, the Appointments and Remuneration Committee is entrusted, in terms of remuneration, among others, with the following functions:

- a) Report proposals for appointment and removal of senior management and the basic conditions of their contracts.

- b) Propose to the Board of Directors the remuneration policy for Directors and general managers or those in senior management roles reporting directly to the Board of Directors, for the Executive Committee or Managing Directors, as well as the individual remuneration and other contractual conditions of Executive Directors, ensuring this is followed.

- c) Ensure compliance with the Company's remuneration policy.

- d) Report on incentive plans.

- e) Perform an annual examination of the remuneration policy for Directors and senior management.

- f) Draft the annual corporate governance report and the annual Directors' remuneration report.

- g) In relation to transactions with related parties or which involve, or could involve, conflicts of interest, report and make decisions to approve or deny them, and request the reports of independent experts which might help to evaluate them.

III. Description and justification of the Company's Policy on the remuneration of the Directors 2019-2021 that the Appointments and Remuneration Committee informs for its proposal to the General Meeting

The approval of the Company's Policy on the remuneration of the Directors 2019-2021, is in line and in continuity with the current one. The general principles of the Policy, as

well as the remuneration systems of the Directors, remain unchanged.

The approval of Company's Policy on the remuneration of the Directors is submitted to the General Shareholder's Meeting, in order to provide a clear and detailed information on the remuneration of the Directors, in line with the contents already published in the Annual Report on Remuneration of the Directors of the 2018 financial year, in coordination between the two documents.

In particular, as a sign of the commitment of TALGO, S.A. to transparency, the Annual Report on Remuneration of the Directors is included in a final paragraph which seeks to collect, clearly and systematically, the maximum overall amount of annual remuneration of the whole Directors, so that the shareholders have the information and knowledge when they decide on the Company's Policy on the remuneration of the Directors.

The Company's Policy on the remuneration of the Directors is oriented to promote the company's long-term profitability and sustainability and includes safeguards to avoid excessive risk-taking and rewarding unfavorable results.

Pursuant to article 217.4 of the Law of Corporations (Ley de Sociedades de Capital), which establishes that the remuneration of the Directors must in all cases keep a reasonable proportion with the importance of the Company, the economic situation that it had at all times and the market standards of comparable companies, the remuneration of the Directors will be reviewed or updated periodically.

Furthermore, in the design and proposals for modification of the remuneration system in force at any given time, the Board of Directors, after the Report or proposal of the Appointments and Remuneration Committee, will ensure that the compensation is based on the principles of balance, related to their effective dedication and alignment with the strategies and long-term interests of Talgo, S.A. and its shareholders. The referred remuneration pursues to attract, retain and motivate people with the appropriate profile to perform the functions inherent to the position of Director of a company with the characteristics and particularities of Talgo, S.A., taking into account their responsibilities, the best practices in matters of remuneration, the conclusions of a comparative analysis carried out by specialized external consultants and the results obtained by the Company.

The Policy on Remuneration for Directors contemplates the following aspects:

- a) Complies with the remuneration system statutorily provided.
- b) Director's remuneration for their role may consists of the following items:
 - (i) a fixed payment.
 - (ii) share in profits.
- c) The Board of Directors and the Appointments and Remuneration Committee shall take all measures available to ensure that the remuneration of the External Directors is sufficient to compensate them for their dedication, qualification and responsibility required by the position, but not

as high to compromise their independence.

- d) The remuneration policies must incorporate the precise technical cautions to ensure that such remunerations are related to the professional performance of their beneficiaries and do not derive simply from general evolution of the markets or the sector of activity of the Company or of other similar circumstances.
- e) The remuneration that corresponds to the Executive Directors in their capacity as executives of the Company, is designed by the Appointments and Remuneration Committee and includes, in addition to fixed criteria, other variable components established according to criteria revised annually, so that the mixed remuneration (fixed and variable) depends on performance.
- f) Executive Directors are beneficiaries of salaries, remuneration in kind, pension plan, life insurance, sick leave and medical insurance.
- g) Executive Directors may be beneficiaries of the long-term incentive plans that the Company may approve through the consultative Committees, the Board of Directors and the General Shareholders' Meeting and these incentives may consist in the delivery of an amount in cash or in the delivery of shares.
- h) Executive Directors do not receive any additional remuneration due to the fact of being members of the Board of Director, commissions or any other fixed remuneration due to their status as directors.
- i) External independent Directors have the right to receive additional remuneration when they are members of a consultative Committee. Furthermore, they have assigned an annual fixed remuneration when they are Presidents of and advisory Committee.
- j) There is no additional remuneration for the performance of the Chairman of the Board of Directors position.
- k) External Directors are granted annual fixed remuneration.
- l) The Company's Policy on the remuneration of the directors is designed and supported by the analysis carried out by the Board of Directors and the Appointments and Remuneration Committee, taking into consideration the size of the Company, the market, prudence, and with a view to both industrial and financial objectives. The Appointments and Remuneration Committee also relies on external advisers to develop these policies

The Board of Directors of May 21, 2019, upon the Appointments and Remuneration Committee proposal, proposes the present Company's Policy on the remuneration of the directors with a term of three years (2019-2021). Any modification or substitution

of this policy during this period will require the prior approval of the General Shareholders' Meeting in compliance with the provisions of current legislation.

Thus, the Appointments and Remunerations Committee has concluded that the Company's Policy on the remuneration of the directors is in accordance with the regulations, recommendations, the regulatory environment and best practices, following the criteria of good governance and transparency and, ultimately, allows the Company to have in place an adequate remuneration policy, aligned with the interests of shareholders and with a prudent risk-taking management.

Accordingly, the Appointments and Remuneration Committee issues the present Report, to be presented along with the Remuneration of Directors proposal Policy at the next General Shareholders' Meeting to be held on May 21, 2019 on the first call or, if the necessary quorum is not reached, on the second call, the next working day May 22, 2019.