

**REPORT BY THE BOARD OF DIRECTORS OF TALGO, S.A. IN CONNECTION WITH THE PROPOSED RESOLUTION FOR THE APPROVAL OF THE LONG TERM INCENTIVE PLAN (ITEM TENTH OF THE AGENDA).**

**I. PURPOSE OF THE PLAN**

- To motivate Executives.
- 1.2. To align its interest with those of the Company's shareholders, since the Plan would be conditional upon TALGO share value increase taking as reference the share's value.
- To maximise TALGO and its subsidiaries' value allowing Executives benefit from their corporate results.
- To preserve TALGO Group talent building its Executives loyalty and retention to the future.
- To reward eligible Executives permanence.
- To offer the eligible Executives a compensation component aligned with best market practices, and that supports the implementation of a compensation policy for the top management with internal equity and external competitiveness.

**II. DESCRIPTION OF THE PLAN**

**2.1. General description:**

The Plan allows the Company to decide, on annual basis, and subject to the final approval by the General Shareholders meeting, the grant of a long term incentive that entitles the Beneficiaries to receive a certain amount of cash or a number TALGO shares, after 3 years, provided they comply with certain corporate objectives.

**2.2. Vesting Period:**

January 1, 2019 – December 31, 2021.

**2.3. Vesting Conditions:**

Payment of the incentive shall be subject to remaining in active in TALGO until the Date of Payment and complying with the business objectives defined below.

**2.4. Date of Payment:**

After the end of the Vesting Period (December 31, 2021), and before March 31st 2022.

**2.5. Total Duration:**

The Plan shall remain in force until otherwise decided by the Administrator of the Plan:

The Company shall consider, on a yearly basis, the possibility to implement an overlapping cycle structure under the same general conditions (i.e. Cycle I 2019 – 2021, Cycle II 2020 -2022, Cycle III 2021 – 2023, etc.).

#### **2.6. Payment:**

Payment of any Long Term Incentive Plan (LTIP) is subject to achieving the minimum degree for every business objective.

### **III. BENEFICIARIES AND AMOUNTS**

#### **3.1. Beneficiaries:**

The Plan is addressed, in principle, to the Executive Directors and the Top Management of TALGO, S.A. and its subsidiaries.

#### **3.2. Incentive amounts:**

Aggregate Target Incentive amount of EUR 3.1 million per Plan.

#### **3.3. Administration:**

After appointment from the BoD, Appointments & Remuneration Committee (REMCO) will be in charge of designing and approving all the LTI particularities expected for each Plan.

#### **3.4. REMCO, among others, has the faculty to:**

- Adjust the scope of Beneficiaries for each Plan.
- Decide the adhesion of new Beneficiaries in any given Cycle and decide the individual Target Incentive Amount applicable.
- Adjust the individual Target Incentive Amounts for each Cycle.
- The implementation, if appropriate and conditioned to compliance with all legal requirements for approval, of new cycles to this Plan.
- Other design elements within the corporate philosophy.

### **IV. LIQUIDATION, REINVESTMENT AND OTHERS**

#### **4.1. Liquidation methods:**

The Incentive shall be paid in shares or cash at TALGO.

#### **4.2. Reinvestment:**

The Plan will contemplate an obligation of reinvestment of a **certain** percentage of the net Incentive in Company.

**4.3. Lock-up period:** The Reinvestment Shares, or the net shares received as Incentive payment, shall be subject to lock up obligations according to the shareholding guidelines developed by the Company.

**4.4. Control change:**

The corporate transaction whereby a change of control takes place within the consolidation period could result in an accelerated vesting and anticipated liquidation of the Plan.

**4.5. Termination of service before Payment Date:**

The Plan contains also Bad and Good leavers clauses.