

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

### Audit Committee:

TALGO, S.A.'s **Audit Committee** comprised by the following members as of 31 December 2019:

Name	Position	Category
MR EMILIO NOVELA BERLÍN	CHAIRMAN	Independent
MR IGNACIO MATAIX ENTERO	MEMBER	Independent
PEGASO TRANSPORTATION INTERNATIONAL, S.C.A.	MEMBER	Dominical

In February 2019 there were changes in the composition of the Audit Committee following the resignation of Mr. Moreau for personal reasons and of Mr. Muñoz following the divestment of the fund he represented: MCH. The election of Mr. Mataix and PEGASO TRANSPORTATION INTERNATIONAL, S.C.A. was made taking into account the suitability that their positions could provide to this committee.

TALGO, S.A.'s **Audit Committee** met on six occasions during 2019, on the following dates: (i) 30 January; (ii) 27 February; (iii) 13 May, (iv) 23 July, (v) 13 November and (vi) 18 December. Representatives from the external audit firm Deloitte attended all the meetings and, members of the Company's internal audit team were present.

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 Area:

- Annual Evaluation of activity area.
- Approval of the department's annual internal Audit and budget plan.
- Follow-up reports and recommendations.

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

- Supervision of the Internal Control System over financial information.
- Supervision of the Group's Risk Control System.
- Continuous review of the internal control system.
- Implementation of new computer tools of Internal Control.
- Supervision of the activity of the Compliance Unit.
- Supervision of the Group's tax policy and strategy: and more detailed monitoring of the Group's tax inspection.

#### 3. External auditor:

- Proposal for the re-election of the external auditor and contracting conditions.
- Prior approval of other audit and verification services by the external auditor.

- Confirmation of the degree of collaboration and transparency with which the company collaborates and works with the external auditor.
- Report on the independence of the external audit firm.
- Appearances of the auditor of accounts at the Committee meetings.
- Presentation of legislative developments in accounting standards (International Financial Reporting Standards) and regarding to audit reports and impact analyses of the new standards applicable in the 2019 financial year.

**4. Supervision process of the elaboration of financial and economic information:**

- Talgo S.A.'s individual and consolidated annual accounts for 2019.
- Talgo S.A.'s consolidated financial statements for the first and third quarter of 2019.
- Talgo S.A.'s consolidated summary financial statements of the first semester of 2019.

**5. Supervision process of the elaboration of the state of non-financial information:**

- Statement of non- financial information included in the management report of the consolidated annual accounts for 2019 of Talgo S.A.
- Analysis of the recommendations in the draft Good Governance Code of the CNMV

Most of the Audit Committee's activity during 2019 was focused on issues relating to the internal and external audits, risk monitoring and the process of developing economic and financial information. The staff of the Internal Audit Area attends the Committee meetings on a regular basis, which is part of the competences of the area, in support of the Committee, for the proper exercise of its powers and as a communication channel between the Audit Committee and the company and its Group. They have also appeared as senior managers from diverse areas and departments of the Talgo Group in order to give an overview to the members of the Audit Committee.

**Strategy Committee:**

**TALGO, S.A.'s Strategy Committee** comprised by the following members as of 31 December 2019:

<b>Name</b>	<b>Position</b>	<b>Category</b>
MR. ANTONIO OPORTO DEL OLMO	CHAIRMAN	Independent
MR. JOSÉ MARÍA ORIOL FABRA	MEMBER	Executive
PEGASO TRANSPORTATION INTERNATIONAL, S.C.A.	MEMBER	Dominical
MR. JUAN JOSÉ NÁRDIZ AMURRIO	MEMBER	Independent

TALGO, S.A.'s Strategy Committee met on five occasions during 2019, on the following dates: (i) 28 February; (ii) 20 May; (iii) 23 July, (iv) 13 November and (v) 18 December.

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, in relation to the definition of the most convenient strategy for the success of Talgo through the study of the planification, implementation and monitoring of the overall strategy with regard to the markets, products and services and new business and critical technologies, as well as the resources linked to the achievement of objectives in that areas.
- Provide technical assistance to the Board of Directors of the Company in terms of execution of the decided strategies in the planification and organization of the critical production resources area such as products and processes engineering, manufacturing, procurements and projects management.
- These duties are developed in general from initiatives arising from the Chairman and the CEO as well as from the rest of the management team, but also in some occasions of suggestions checked with the members of the Board of Directors.
- Promote, when appropriate depending on its relevance, the establishment of internal rules and processes that act in the interest of all the Group's companies, facilitating in this regard the supervision and monitoring of decision-making, in order to ensure compliance with the management strategies and guidelines established by the Company's Board of Directors, as the Group's parent company.
- Report on new regulations -or, where appropriate, amendments made by the legislator or the authorities to existing regulations-, the initiatives of supranational institutions as well as disruptive events in matters of Talgo's business and which have a dimension or consequence unavoidable over the strategies in force or the execution of the same.
- Study and keep the Board informed about Talgo's strategic environment. The same includes the most important operators in the railway sector, Talgo's most relevant competitors and other critical actors in the sector in the Company's value chain.

**Appointments and Remuneration Committee:**

**TALGO, S.A.'s Appointments and Remuneration Committee** comprised by the following members as of 31 December 2019:

<b>Name</b>	<b>Role</b>	<b>Category</b>
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 six occasions during 2019, on the following dates: (i) 10 January, (ii) 27 February, (iii) 10 April, (iv) 29 October, (v) 8 December and (vi) 18 December.

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 on the degree of compliance with the objectives set for the Group's Top Management for the year 2019.
- Analysis of the remuneration system of the members of the Board of Directors.
- Proposal regarding the approval of a new long-term incentive plan for the executive directors and directors of the company.
- In compliance with the provisions of Article 40 of the Regulations of the Board of Directors of the Company, issuance of the favorable report prior to the authorization, if any, issued by the Board of Directors in relation to the transactions that the Company carries out, directly or indirectly, with directors -under the terms of Articles 229 and 230 of the Law on Corporations- with significant shareholders or representatives on the Board or with persons related to them, in accordance with Article 529 ter of the Law on Corporations.
- Analysis of the existing company's management structure. Action plan and proposals for its development and the reinforcement of certain company's departments.
- Elaboration of the legally required reports regarding the Appointment of new directors by the General Shareholders' Meeting and for the Appointment by co-optation of directors to cover the vacancies within the Board of Directors in accordance with the provisions of Article 102 of the Regulations of the Board of Directors of the Company.
- Submit recommendations to the Board of Directors to ensure the best compliance with current legislation regarding the composition of this governing body and its operation, as well as to promote an active policy in the selection of directors to encourage diversity of knowledge, experience and gender, in accordance with Recommendation 14 of the Code of Good Governance for listed companies.
- Setting objectives for the Group's Top Managers for the year 2019.

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