



ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC AND LISTED COMPANIES

THE ISSUER'S IDENTIFICATION DETAILS

Reference year end date: 31/12/2022

TAX ID: A84453075

Corporate name:

TALGO, S.A.

Registered address:

PASEO DEL TREN TALGO, 2 (LAS MATAS) MADRID - SPAIN

A. OWNERSHIP STRUCTURE

A.1. Complete the following table on the share capital and assigned voting rights, including, if applicable, those corresponding to shares with loyalty voting rights, at year-end:

Indique si los estatutos de la sociedad contienen la previsión de voto doble por lealtad:

Sí
 No

Last modification date	Share capital (€)	Number of shares	No. of voting rights
29/03/2022	37,156,169.93	123,442,425	123,442,425

Indique si existen distintas clases de acciones con diferentes derechos asociados:

Sí
 No

A.2. List the direct and indirect holders of significant shareholdings at year-end, including directors with significant holdings:

Name or corporate name of the shareholder	% voting rights attributed to the shares		% voting rights through financial instruments		Total percentage of voting rights
	Direct	Indirect	Direct	Indirect	
PEGASO TRANSPORTATION INTERNATIONAL SCA	40.03	0.00	0.00	0.00	40.03
SANTA LUCIA S.A. COMPAÑIA DE SEGUROS Y REASEGUROS	4.91	0.00	0.00	0.00	4.91
TORRBLAS, S.L	5.04	0.00	0.00	0.00	5.04

Detail of indirect participation:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total percentage of voting rights
No data available				

Indicate the most significant movements in the ownership structure during the year:

A.3. Detail, regardless of the percentage, shareholdings at year-end by members of the board of directors holding voting rights attributed to company shares, or through financial instruments, excluding the board members identified in Section A.2, above:

Name or corporate name of director	% voting rights attributed to shares (including loyalty votes)		% voting rights through financial instruments		Total percentage of voting rights	Of the total % of voting rights attributed to shares, indicate, if applicable, the % of additional votes attributed to loyalty voting shares.	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
PEGASO TRANSPORTATION INTERNATIONAL SCA	40.03	0.00	0.00	0.00	40.03	0.00	0.00
MR. CARLOS DE PALACIO Y ORIOL	0.91	0.00	0.00	0.00	0.91	0.00	0.00
MR. JOSÉ MARÍA DE ORIOL FABRA	1.42	0.00	0.00	0.00	1.42	0.00	0.00
MR. FRANCISCO JAVIER BAÑON TREVIÑO	0.15	0.00	0.00	0.00	0.15	0.00	0.00
MR. ANTONIO OPORTO DEL OLMO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
% total voting rights held by members of the board of directors						42.51	

Detail of indirect participation:

Name or corporate name of director	Name or corporate name of direct shareholder	% voting rights attributed to shares (including loyalty votes)	% voting rights through financial instruments	Total percentage of voting rights	Of the total % of voting rights attributed to shares, indicate, if applicable, the % of additional votes attributed to loyalty voting shares.
No data available					

Detail the total percentage of voting rights represented on the board:

% total voting rights represented on the board of directors

A.4. Indicate, if applicable, the relationships of a family, commercial, contractual or corporate nature that exist among the holders of significant shareholdings, insofar as they are known by the company, unless they are scarcely relevant or derive from ordinary business or commercial traffic, except those reported in Section A.6:

Name or corporate name of related body	Type of relationship	Brief description
No data available		

A.5. Indicate, if applicable, the relationships of a commercial, contractual or corporate nature that exist among the holders of significant shareholdings, insofar as they are known by the company, unless they are scarcely relevant or derive from ordinary business or commercial traffic:

Name or corporate name of related body	Type of relationship	Brief description
No data available		

A.6. Describe the relationships, unless they are scarcely relevant for the two parties, that exist between the significant shareholders or those represented on the Board and the directors, or their representatives, in the case of legal entity administrators.

Explain, where appropriate, how significant shareholders are represented. Specifically, those directors who have been appointed on behalf of significant shareholders, those whose appointment would have been promoted by significant shareholders, or who are linked to significant shareholders and/or entities of their group will be stated, with a specification of the nature of such relationships. In particular, mention shall be made, where appropriate, of the existence, identity and position of Board Members, or representatives of directors, of the listed company, who are, in turn, members of the administrative body, or their representatives, in companies that hold significant stakes in the listed company or in entities of the group of such significant shareholders:

Name or corporate name of the director or representative, linked	Name or corporate name of the significant shareholder, linked	Corporate name of the company of the significant shareholder's group	Description relationship / position
MR. FRANCISCO JAVIER BAÑÓN TREVIÑO	PEGASO TRANSPORTATION INTERNATIONAL SCA	PEGASO TRANSPORTATION S.A.R.L.	Mr. Bañón is the natural person representative of Pegaso Transportation International SCA., significant shareholder of Talgo S.A. In turn, Mr. Bañón is a member of the Board of Directors of Pegaso Transportation S.A.R.L., which controls 100% of the voting rights of Pegaso Transportation International SCA.
NUEVA COMPAÑÍA DE INVERSIONES S.A.	PEGASO TRANSPORTATION INTERNATIONAL SCA	PEGASO TRANSPORTATION INTERNATIONAL SCA	Nueva Compañía de Inversiones, S.A. is a Director representing Pegaso Transportation International, SCA, a significant shareholder of Talgo, S.A. Nueva Compañía de Inversiones, S.A is, in turn, a shareholder of Pegaso Transportation SCA, through the company Torreal Sociedad de Capital Riesgo, S.A.

- A. 7. Indicate any shareholders' agreements that have been reported to the Company, in accordance with the provisions of Articles 530 and 531 of the Spanish Capital Company Act. Where applicable, briefly describe these agreements and list the shareholders involved in them:

[√] Sí
[] No

Participants in shareholders' agreement	Percentage of share capital	Brief description of the agreement	Expiration date of the agreement, if any
<p>MS. MARÍA DOLORES CASTILLEJO ORIOL, MS. CASILDA CASTILLEJO ORIOL, MR. JUAN PEDRO DE ORIOL MUÑOZ, MS. MARÍA GRACIA DE ORIOL FABRA, MS. ESPERANZA MACARENA DE ORIOL FABRA, MR. ALFONSODE ORIOL FABRA, MR. LUIS IGNACIO RECASENS CASTILLEJO, MS. MARÍA GRACIA RECASENS CASTILLEJO, MR. CAMILO PEDRO DE ORIOL FABRA, MR. JUAN CASTILLEJO ORIOL, MS. MARÍADEL DULCE NOMBRE CASTILLEJO ORIOL, MS. CATALINA CASTILLEJO ORIOL, MR. MIGUEL DE ORIOL YBARRA, MR. LUCAS MARÍA DE ORIOL LOPEZ-MONTENEGRO, MR. IGNACIO MARÍA DE ORIOL MUÑOZ, MS. MARÍA BEGOÑA DE ORIOL E YBARRA, MR. ALFONSO CARLOS DE ORIOL MUÑOZ, MR. SANTIAGO MARÍA DE ORIOL MUÑOZ, MS. MARÍA MAGDALENA DE ORIOL MUÑOZ, MS. ALEJANDRA PAULA DE ORIOL PASTEGA, MR. EDUARDO SERRA ARIAS, MS. MARÍA DEL DULCE NOMBRE DEL RÍO Y</p>	51.49	<p>It regulates aspects regarding the governing bodies of the company and the transmission and sale of shares. The validity of this agreement is established to end either after the second anniversary of the date of admission of the Company for listing (this condition is currently without effect, as this anniversary has passed), or on the date on which PEGASO TRANSPORTATION INTERNATIONAL, S.C.A. ceases to hold a significant share in the Company (in accordance with current legislation: 3%), whichever occurs first. Notwithstanding the foregoing, in the event that the termination of the validity of the agreement is a consequence of the indicated two-year period having elapsed, the drag-along right granted by the shareholders signing the agreement in favour of PEGASO TRANSPORTATION INTERNATIONAL, S.C.A. Shall remain in force as long as the latter company holds a significant stake in the Company's capital.</p>	<p>Once the second anniversary has elapsed since the date of admission to listing of the Company (deadline already expired at the closure of 2019), or when PEGASO TRANSPORTATION INTERNATIONAL, S.C.A. no longer holds a significant stake in the Company (in accordance with current legislation: 3%), whichever occurs first.</p>

Participants in shareholders' agreement	Percentage of share capital	Brief description of the agreement	Expiration date of the agreement, if any
<p>ORIOR, MS. MARÍA DE LAS NIEVES DE ORIOR PASTEGA, MR. GONZALO DEL RÍO Y ORIOR, MR. NICOLÁS DOMECC ORIOR, MS. BLANCA DEL RÍO Y ORIOR, MR. CARLOS DEL RIO Y ORIOR, MS. LUISA FERNANDA DEL RÍO Y ORIOR, MR. JAIME DEL RÍO Y ORIOR, MR. MARIO DE ORIOR PASTEGA, MS. MARÍA SACRAMENTODE PALACIO GUERRERO, MR. LUIS MARÍA DE PALACIO GUERRERO, MR. LUIS FELIPE DE PALACIO DELATTRE, MS. ISABEL MARÍA DE PALACIO DELATTRE, MS. LEONOR MARÍA DE PALACIO DELATTRE, PATRIMONIAL ORLESAS.A., E.D.T., S.A., CASA CUNA S.L., SAN IGNACIO S.L., DR.L.I. RECASENS S.L., PROYECTOS DUNBAR S.L., MR. JOSÉ MARÍA DE PALACIO Y ORIOR</p>			

Indicate whether the Company is aware of the existence of any concerted actions between its shareholders. Where applicable, describe them briefly:

- Yes
 No

In the event that any modifications have been made to these covenants or agreements or concerted actions or they have been terminated during the year, expressly indicate them below:

Not applicable

- A. 8. Indicate whether any person or legal entity exercises control or may exercise control over the Company under the terms set forth in Article 5 of the Securities Market Act. In this case, identify that person or entity:

Yes
 No

- A.9. Complete the following tables about the Company's treasury stock:

At year-end:

Number of shares held directly	Number of shares held indirectly (*)	% of total share capital
930,321		0.75

(*) Through:

Name or corporate name of direct shareholder	Number of direct shares
No data available	

Explain the significant variations during the year:

Explain significant variations

The Board of Directors of Talgo, S.A. (the "Company") unanimously agreed to establish a shareholder remuneration programme under the flexible dividend and treasury share buyback programme (the "Scrip Dividend" and the "Buyback Programme", respectively), all within the framework of the resolutions adopted under items eight and nine of the agenda of the Ordinary General Shareholders' Meeting of the Company held on 29 March 2022, which were defined as follows:

- Point eight: Increase of share capital with a charge to reserves in an amount to be determined, by issuing new ordinary shares of 0.301 euros par value each, without share premium, of the same class and series as those currently in circulation, offering shareholders the possibility of selling the free allotment rights to the Company itself (at a guaranteed price) or on the market.

- Point nine: Reduction of share capital by a maximum nominal amount of 797,650 euros, through the redemption of a maximum of 2,650,000 treasury shares with a par value of 0.301 euros each, representing a maximum of 2.15% of the Company's current share capital.

In line with the provisions of the aforementioned resolutions of the General Meeting, the monetary amount allocated to the shareholder remuneration programme was set at 10 million euros. As a result of the Scrip Dividend, a capital increase was carried out during the year, issuing a total of 1,997,596 new shares. Consequently, and simultaneously with the aforementioned capital increase, the Company executed the Repurchase Programme, acquiring a total of 1,997,596 shares in 2022, representing 1.59% of the share capital, which were subsequently redeemed.

A.10. Describe the terms and conditions of current mandate conferred upon the Board of Directors by the General Shareholders' Meeting to issue, repurchase or transfer treasury shares:

The General Shareholders' Meeting of the Company, at its meeting held on 10 May 2018, agreed to expressly authorise the Board of Directors, with express power of substitution, in accordance with the provisions of Article 146 of the Spanish Capital Company Act, for the derivative acquisition TALGO, SA (the "Company") shares, under the following conditions:

- (a) Acquisitions may be made directly by the Company or indirectly through its subsidiaries in the same terms of this agreement.
- (b) Acquisitions will be made through purchase and sale transactions, exchange or any other permitted by law.
- (c) Acquisitions may be made, at any time, up to the maximum amount allowed by law.
- (d) Acquisitions cannot be made at a higher price than that which results in a stock exchange or lower than the nominal value of the share.
- (e) This authorisation is granted for a period of five years from the adoption of this agreement.
- (f) As a result of the acquisition of shares, including those that the Company or the person acting in its own name but on behalf of the Company had previously acquired and held in its portfolio, the resulting net equity may not be reduced below the amount of the capital plus the legal or statutorily unavailable reserves, all of them as provided in letter b) of article 146.1 of the Spanish Capital Company Act.

In said agreement it was expressly stated that the shares acquired as a result of this authorisation may be used both for their sale or amortization and for the application of the remuneration systems contemplated in the third paragraph of letter a) of article 146.1 of the Spanish Capital Company Act, as well as the development of programs that encourage participation in the Company's capital, such as, for example, dividend reinvestment plans, loyalty bonds or other similar instruments.

This agreement revoked and cancelled, in the amount not used, the authorisation for the derivative acquisition of treasury shares granted to the Board of Directors by the General Shareholders' Meeting held on 28 March 2015.

A.11. Estimated free float capital:

	%
Estimated free float capital	56.70

A.12. Indicate whether any restrictions exist over the transfer of shares and/or the transfer of voting rights. In particular, the existence of any type of restrictions that may make it difficult to take control of the company through the acquisition of its shares in the market, as well as those authorisation or prior notice systems that, over acquisitions or transfers of instruments, will be communicated. of the company, are applicable by sectoral regulations.

Yes
 No

Description of restrictions

See Section A.7 above

A.13. Indicate whether the General Shareholders' Meeting has agreed to adopt measures to neutralise any takeover bids by virtue of the provisions of Law 6/2007.

Yes
 No

Where applicable, explain the measures approved and the terms under which the restrictions would be rendered ineffective:

A.14. Indicate whether the Company has issued shares that are not traded on a regulated European market.

Yes
 No

Where applicable, indicate the different types of shares together with the rights and obligations conferred for each share class.

B. GENERAL SHAREHOLDERS' MEETING

B.1. Indicate whether differences exist between the minimum regime set out in the Spanish Capital Company Act (LSC) and the quorum for the constitution of the General Shareholders' Meeting, and where applicable, provide details.

Sí
 No

B.2. Indique y, en su caso, detalle si existen diferencias con el régimen previsto en la Ley de Sociedades de Capital (LSC) para la adopción de acuerdos sociales:

Sí
 No

B.3. Indicate the rules applicable to the modification of the Company's bylaws. In particular, provide details of the majorities set out for the amendment of the bylaws, as well as, where applicable, the rules set out for the protection of the shareholders' rights in the amendment of the bylaws.

In terms of amendments to the bylaws and the protection of shareholders' rights in the event of such amendments, the Company is governed by the provisions of articles 285 et seq. of the Spanish Capital Company Act.

B.4. Indicate the attendance figures for the General Shareholders' Meeting held during the year, as well as those applicable to previous years:

Attendance figures

General Shareholders' Meeting Date	% of physical presence	% in representation	% proxy Electronic vote	Other	Total
10/06/2020	2.90	59.37	0.99	0.00	63.26
Of which floating capital	0.64	17.56	0.99	0.00	19.19
13/05/2021	1.99	60.75	0.07	2.72	65.53
Of which floating capital	0.62	21.63	0.07	2.72	25.04

Attendance figures

General Shareholders' Meeting Date	% of physical presence	% in representation	% proxy Electronic vote	Other	Total
29/03/2022	3.23	71.18	0.03	2.63	77.07
Of which floating capital	0.73	31.92	0.03	2.63	35.31

The 2021 General Shareholders' Meeting was held exclusively remotely

B.5. Indicate whether at the general meetings held during the year there was any item on the agenda that, for any reason, has not been approved by the shareholders:

Sí
 No

B.6. Indique si existe alguna restricción estatutaria que establezca un número mínimo de acciones necesarias para asistir a la junta general, o para votar a distancia:

Sí
 No

B.7. Indique si se ha establecido que determinadas decisiones, distintas a las establecidas por Ley, que entrañan una adquisición, enajenación, la aportación a otra sociedad de activos esenciales u otras operaciones corporativas similares, deben ser sometidas a la aprobación de la junta general de accionistas:

Sí
 No

B.8. Indicate the address and mode of access to the Company's website, specifically, the link to information about corporate governance and other information about General Shareholders' Meetings that should be made available to shareholders through the Company's website:

www.talgo.com > investors > corporate governance
Information on past general meetings of the Company can be accessed at the same address:
www.talgo.com > investors > general shareholders' meeting

C. STRUCTURE OF THE COMPANY'S BOARD

B. 1. Board of Directors

C. 1.1 Maximum and minimum number of directors contemplated in the bylaws and the number set by the general meeting:

Maximum number of Directors	15
Minimum number of Directors	5
Number of Directors set by the Board	10

C.1.2 Complete the table below with the names of the members of the Board:

Name or corporate name of director	Representative	Category of Director	Position on the Board	First appointment date	Last appointment date	Election procedure
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ		Executive	CEO	17/03/2021	17/03/2021	CO-OPTING
MR. JOSÉ MARÍA ORIOL FABRA		Other External	VICE-CHAIR	28/03/2015	17/03/2021	BOARD OF DIRECTORS AGREEMENT
MS. MARISA PONCELA GARCIA		Independent	DIRECTOR	16/09/2020	16/09/2020	CO-OPTING
MR. CARLOS DE PALACIO Y ORIOL		Executive	CHAIRMAN	28/03/2015	21/05/2019	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. ANTONIO OPORTO DEL OLMO		Independent	DIRECTOR	20/09/2018	21/05/2019 20/09/2018	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. EMILIO NOVELA BERLÍN		Independent	INDEPENDENT COORDINATING DIRECTOR	28/03/2015	21/05/2019	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. FRANCISCO JAVIER BAÑÓN TREVIÑO		Proprietary	DIRECTOR	28/03/2015	21/05/2019	AGREEMENT GENERAL SHAREHOLDERS MEETING

Name or corporate name of director	Representative	Category of Director	Position on the Board	First appointment date	Last appointment date	Election procedure
NUEVA COMPAÑÍA DE INVERSIONES S.A.	MR. MIGUEL ABELLÓ GAMAZO	Proprietary	DIRECTOR	28/03/2015	21/05/2019	AGREEMENT GENERAL SHAREHOLDERS' MEETING
PEGASO TRANSPORTATION INTERNATIONAL SCA	MR. JAVIER OLASCOAGA	Proprietary	DIRECTOR	28/03/2015	21/05/2019	AGREEMENT GENERAL SHAREHOLDERS MEETING
MR. JOHN CHARLES POPE		Independent	DIRECTOR	28/03/2015	21/05/2019	AGREEMENT GENERAL SHAREHOLDERS MEETING

Total number of Directors	10
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Indicate the departures that, whether due to resignation, dismissal or for any other reason, have taken place on the Board of Directors during the period subject to information:

Name or corporate name of director	Category of Director at the time of termination	Date of last appointment	Termination Date	Specialized committees of which he was a member	Indicate whether the termination occurred before the end of the term of office
MR. RAMÓN HERMOSILLA GIMENO	Other External	21/05/2019	29/03/2022		NO
MR. IGNACIO MATAIX ENTERO	Independent	24/07/2018	29/03/2022	Audit Committee	YES
MR. JUAN JOSÉ NÁRDIZ AMURRIO	Independent	29/09/2015	29/03/2022	Strategy and Sustainability Committee	YES
MR. SEGUNDO VALLEJO ABAD	Other External	24/07/2018	29/03/2022		NO
MR. ALBERTUS MEERSTADT	Independent	21/05/2019	29/03/2022	Appointments and Remuneration Committee	YES

Cause of termination, if before the end of the term of office and other observations; information on whether the Director has sent a letter to the other members of the Board and, in the case of termination of Non-Executive Directors, explanation or opinion of the Director who has been removed by the General Meeting.

On the basis of the provisions of the Spanish Capital Company Act, the Bylaws and the Regulations of the Board of Directors of the Company, and taking as a reference the report issued in July 2021 by the consultancy firm KPMG, which analysed, in the light of

the recommendations of the CNMV established in the Good Governance Code for Listed Companies, among other aspects, the size of Talgo's Board of Directors in comparison with other companies with similar characteristics, with companies that form part of the IBEX 35 and companies that have a market capitalisation similar to Talgo, the Shareholders' Meeting approved a reduction in the size of the Board of Directors from 15 to 10 members, setting it at this number, which is within the minimum and maximum limits of board members established both in the Bylaws and in the Regulations of the Board of Directors of the Company, meaning that it was not necessary to modify these rules.

The dismissed directors did not present any arguments.

C.1.3 Complete the following tables about the members of the Board of Directors and their different categories:

EXECUTIVE DIRECTORS		
Name or corporate name of director	Position in the Company's organisational chart	Profile
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	CEO	Mr. Urquijo has been CEO of Talgo since March 2021. He graduated in Economics and Political Science from the University of Yale and holds an MBA from the Madrid Business Institute (IE). His professional career started in the banking sector, in Citibank and Credit Agricole, after which he continued his professional activity in the steel sector. He was General Financial Director of Aceralia and subsidiaries, General Financial Director and manager of Arcelor's distribution sector, as well as Chair of ArcelorMittal Spain and member of the general management of ArcelorMittal. in 2017 he took on the position of Executive Chair of Abengoa until 2021. Mr. Urquijo is current a member of the Board of Directors of Ferrovial and Gestamp, Chair of the Hesperia Foundation and member of the trust and executive committee of the Princesa de Asturias Foundation.
MR. CARLOS DE PALACIO Y ORIOL	Chairman	Mr. Palacio Oriol is Chairman of Talgo since his appointment in 2002. From 1998 to 2002, he was a director representing his family branch and as an institutional representative at a European level. Previously, Mr. Palacio acquired professional experience in the area of Community Law as a member of the Legal and Competition Services of the European Commission and as a lawyer in Spain and the United Kingdom. Additionally, he combined his professional experience with teaching as a professor at the European College of Bruges (Belgium).
Total number of Executive Directors		2
% of total Board		20.00

EXTERNAL PROPRIETARY DIRECTORS		
Name or corporate name of director	Name or corporate name of the significant shareholder that he presents or that appointed him	Profile
MR. FRANCISCO JAVIER BAÑÓN TREVIÑO	PEGASO TRANSPORTATION INTERNATIONAL SCA	Mr. Bañón is one of the three founding partners of Trilantic Europe and is currently a Board Member of Pacha and Vertex Bioenergy. Before joining Lehman Brothers Merchant Banking in 2004 as Co-Head of Merchant Banking in Europe, Mr. Bañón was Managing Director of DB Capital Partners and Bankers Trust Private Equity Group, responsible for the creation, execution, supervision and monetization of transactions of private capital in Latin America. Prior to DB Capital Partners, Mr. Bañón was CFO of the industrial division of IF Group, a privately owned group with industrial and financial operations in Spain, the United States and Latin America. Previously, he was Deputy General Director of Serpeska Group, a Spanish group dedicated to the processing and distribution of food. Mr. Bañón also practised as a lawyer.
NUEVA COMPAÑÍA DE INVERSIONES S.A.	PEGASO TRANSPORTATION INTERNATIONAL SCA	n/a
PEGASO TRANSPORTATION INTERNATIONAL SCA	PEGASO TRANSPORTATION INTERNATIONAL SCA	n/a
Total number of Proprietary Directors		3
% of total Board		30.00

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of director	Profile
MS. MARISA PONCELA GARCIA	Ms. Marisa Poncela García has a degree in Economics and has belonged to the High Corps of Spanish State Economists and Trade Experts since 1989 and to the Corps of Spanish State Trade Experts since 1984. Expert in definition of internationalization and business innovation strategies, in project and company financing and with a tremendous knowledge of the functioning of international Multilateral Organizations, as well as of the Spanish and European science and innovation system and its agents, Ms. Poncela has developed her professional career both in the private sector—thus, from 2007 to 2010 she held the positions of Director of Institutional Relations at Abbott Laboratories in Spain and Director General of the Abbott Foundation. She was also co-founder of ADD TALENTIA, S.L. (2008-2010)—as well as in the public sector, holding positions such as Secretary General of Science and Innovation (2013-2016) and Secretary of State of Commerce (2016-2018).

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of director	Profile
	Since May 2019 until June 2020, Ms. Poncela has been the International Director of RENFE Operadora.
MR. ANTONIO OPORTO DEL OLMO	Mr. Oporto del Olmo has been a Member of the Board of Directors of the European Bank for Reconstruction and Development (EBRD) in London, chairing the Committee on Budgets and Administration and the Committee on Operations and Financial Rules, he was also a member of its Audit Committee. Additionally, he has been a board member in other public and private companies, among which the Spanish Arab Bank, Compañía Sevillana de Electricidad, ACS / Dragados, Eolia, Carboex and Talgo (during the years 2012 to 2013). In addition, Mr. Oporto del Olmo was General Secretary of the Círculo de Empresarios, CEO of Corporación Llorente and Chairman of Alstom Spain. He was also a director of the SEPI / INI public group, forming part of the Executive Committee as Commercial and International Relations Director. Mr. Oporto del Olmo held a position in the Ministry of Economy and Finance after joining the Corps of Commercial Technicians and State Economists, and has been a part-time professor at the University of the Witwatersrand (Johannesburg) and Professor of Economic Theory at the University of Málaga. He is also Knight of the Order of Merit of the French Republic and has been Protector of the Royal Academy of the History of Spain since, regular member of the Washington Corporate Circle of Stanford University, member of the Economic and Social Council of the Kingdom of Spain, member of the Energy and Transport Advisory Board and Transport of the European Commission and patron of the COTEC Foundation (Spain and Technology). Mr. Oporto del Olmo has a degree in Economics from the University of Malaga, a State Commercial Technician, a diploma in international business from the Wharton Business School, and a doctorate in economic and business sciences with Cum Laude qualification from the University of Malaga. He has also completed a seminar on international economics at Harvard University.
MR. EMILIO NOVELA BERLÍN	Mr. Novela is also currently a member of the Board of Merlin Properties. He also has extensive experience holding positions on the boards of other Spanish financial institutions such as Banco Banif Banca Privada (Santander Group), Banco de Jerez, Banco Urquijo, Blackrock Global Funds, Hispamer, Central Hispano Generali, Banesto, Banco Mercantil, Citileasing and Saudesbank. Mr. Novela has also served on the Boards of Cortefiel, Larios (Pernod Ricard), Campsa, Spanair, Union Fenosa, Vallehermoso, Testa, YMCA Spain, US-Spain Foundation, Euro America Foundation, Viajes Internacional Expreso, Gesinar (3i) and Cap Gemini Ernst & Young where he served on the Advisory Board. Furthermore, he was also named CFO of Repsol, the leading Spanish oil company, and Vice-Chairman of Vallehermoso.
MR. JOHN CHARLES POPE	Mr. Pope is currently the Chairman of the PFI Group, LLC and Chairman of the Board and CEO of R.R. Donnelley & Sons, Inc. Previously, he was chairman of the Board of Waste Management, Inc. and the Board of MotivePower Industries, Inc. Prior to joining MotivePower, Mr. Pope was Chairman, Chief Operating Officer and a member of the Board of United Airlines and UAL Corporation until it was acquired by his employees in July, 1994. He formerly served as senior Vice President, Finance, Chief Financial Officer and treasurer for American Airlines and its parent company, AMR Corporation. Mr. Pope is currently the director of The Kraft Heinz Company, RR Donnelley & Sons, Co. (RRD), and Wast Management Inc. (WMI). Mr. Pope holds a Bachelor's Degree in Engineering and Applied Science from Yale University and a Master's Degree from the Harvard Graduate School of Business Administration.

Total number of Independent Directors	4
% of total Board	40.00

Indicate whether any of the Independent Directors receive any monies or benefits for any concept other than Director remuneration from the Company, or from its group, and whether any of them hold or have held during the last year, a business relationship with the Company or with any company in its group, either in his own name or as a significant shareholder, Director or senior manager of an entity that holds or has held such a relationship.

Where applicable, include a reasoned statement from the Board detailing the reasons why it considers that the affected Director can still perform his duties in his capacity as an Independent Director.

Name or corporate name of director	Description of the relationship	Motivated statement
MS. MARISA PONCELA GARCIA	n/a	n/a
MR. ANTONIO OPORTO DEL OLMO	n/a	n/a
MR. EMILIO NOVELA BERLÍN	n/a	n/a
MR. JOHN CHARLES POPE	n/a	n/a

OTHER EXTERNAL DIRECTORS

Proprietary will be Identify the other External Directors and explain the reasons why they cannot be considered as Proprietary identified or Independent Directors, as well as their ties, be they with the Company, its Directors or its shareholders:

Name or corporate name of director	Reasons	Company, director or shareholder with whom it maintains the tie	Profile
Mr. JOSÉ MARÍA ORIOL FABRA	Article 8 of the Regulations of the Board of Directors of TALGO, in Section 5, establishes that under no circumstances may independent directors be appointed if they have been employees or executive directors of group companies, unless 3 or 5 years, respectively, have elapsed since the termination of that relationship.	PATENTES TALGO S.L.	Mr Oriol Fabra has been non-executive vice-chair since March 2021. He was previously CEO of Talgo since 2002. He joined Talgo in 1987 and since then he has been involved in the Group, holding different positions including Financial Director and Director General of different Talgo subsidiaries.

OTHER EXTERNAL DIRECTORS

Identify the other External Directors and explain the reasons why they cannot be considered as Proprietary or Independent Directors, as well as their ties, be they with the Company, its Directors or its shareholders:

Name or corporate name of director	Reasons	Company, director or shareholder with whom it maintains the tie	Profile
	In this sense, Mr Oriol Fabra has held the position of CEO (executive director) of Talgo since March 2021.		Previously, he worked as a Credit Analyst at Citibank. In addition, he has extensive experience as a Director of different companies, including Montalbán XIV and Iberrail, a company that provides transport services to rail passengers, and has been a member of the BBVA Advisory Board. Mr. Oriol Fabra holds an EMBA from the Instituto de Empresa and a degree in Business Administration from Saint Louis University. Additionally, he was awarded in 2011 the "Dostyk II" by the Prime Minister of the Republic of Kazakhstan and in 2012 the "Command of the Order of Civil Merit" by His Majesty the King of Spain

Total number of Other External Directors	1
% of total Board	10.00

Indicate any variations that have been registered during the year in terms of the categories of each Director, where applicable:

Name or corporate name of director	Date of Change	Previous Category	Current Category
No data available			

C.1.4 Fill in the following table with the information relating to the number of female directors over the last 4 years, as well as the category of such female directors:

	Number of female Directors				% over the total number of directors in each category			
	Year 2022	Year 2021	Year 2020	Year 2019	Year 2022	Year 2021	Year 2020	Year 2019
Female Executives					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent	1	1	1		25.00	14.29	14.29	0.00
Other Female External					0.00	0.00	0.00	0.00
Total	1	1	1		10.00	6.67	7.14	0.00

C.1.5 Indicate whether the company has diversity policies in relation to the Company's Board of Directors with regard to issues such as age, gender, disability, or professional training and experience. Small and medium-sized entities, in accordance with the definition contained in the Accounts Auditing Law, will have to inform, at least, of the policy they have established in relation to gender diversity.

- Yes
 No
 Partial policies

If yes, describe these diversity policies, their objectives, the measures and the way in which they have been applied and their results in the exercise. The specific measures adopted by the Board of Directors and the Appointments and Remuneration Committee should also be indicated in order to achieve a balanced and diverse presence of directors.

In case the company does not apply a diversity policy, explain the reasons why it does not.

Description of the policies, objectives, measures and manner in which they have been applied, as well as the results obtained

The Board of Directors of TALGO SA, approved at its meeting on 22 February 2018 a Diversity Policy (attached to this document) for the composition of the Board of Directors and selection of candidates for directors, in order to ensure that the Proposals for the appointment of directors in the Company are based on a prior analysis of the needs of the Board of Directors and guarantee that the Board of Directors has a diversity of skills, knowledge, experiences, origins, nationalities, age and gender. The Company's Appointments and Remuneration Committee is working on the search for specific mechanisms that allow the effective implementation of the Diversity Policy approved by the Board of Directors. In the context of the Diversity Policy, the Appointments and Remuneration Committee of the Company is entrusted with the search for candidates to propose to the Board of Directors its designation as a Director that covers the vacancies that may arise in this body. It is considered advisable to increase the number of women who are part of the Board of Directors and believes that the ideal profile is that of a woman with technical training and experience in the business area to which the company is dedicated, manufacture and/or maintenance of railway equipment.

TALGO S.A. also has a Code of Ethics that aims to establish the values and vision that should guide the actions of companies that integrate the Group in the sense established by law in the framework of a global, dynamic and complex environment. The Talgo Group promotes the non-discrimination of race, colour, nationality, social origin, age, sex, marital status, sexual orientation, ideology, public opinion, religion or any other personal, physical or social condition of its professionals, as well as equal opportunities between them. Likewise, promotes the right to dignity of the person, the free development of personality and the protection of their physical and moral integrity, without, in no case, situations of discrimination based on sex, marital status, family status, birth, ethnicity, age, religious beliefs, sexual orientation, opinion, disability, union membership or any other personal or social condition or circumstance.

C.1.6 Explain the measures that the Appointments Committee has agreed, where applicable, to ensure that the Company's selection procedures are not implicitly biased against the selection of female Directors, and that the Company purposely seeks out and includes women on the list of potential candidates when they fulfil the professional profile sought. Also indicate whether these measures include those necessary to achieve a significant number of female senior managers in the Company:

Explanation of measures

In December 2019, the Appointments and Remuneration Committee agreed to draw up a list of female candidates who, given their training, professional experience and technical qualifications, would be eligible to form part of the Board of Directors with the aim of covering the two vacancies that currently exist on that body through the appointment of two female directors on the above-mentioned date.

In this regard, on 16 September 2020, Ms. Marisa Poncela García was appointed as a new member of the Board of Directors.

When, despite adopting measures, where applicable, the number of female directors is scarce or non-existent, explain the reasons to justify this:

Explanation of reasons

The Appointments and Remuneration Committee remains committed to its intention of finding female directors to cover the vacancies that may arise on the Board of Directors.

C.1.7 Explain the conclusions of the Appointments Committee on the verification of compliance with the policy aimed at favouring an appropriate composition of the Board of Directors.

The Appointments and Remuneration Committee proposed the appointment of a new female director, who was formally appointed at the Board meeting held on 16 September 2020.

In addition, following the reduction in the number of Board members approved at the 2022 General Shareholders' Meeting, the percentage of women on the Board increased from 6.7% to 10.0%.

In view of the above, the Appointments and Remuneration Committee maintains the desire and objective of continuing the search for female directors who, in line with the selection process set out in the Diversity Policy of the Board of Directors (attached document), collaborate in achieving the objectives set out in the manual of good practices in corporate governance and the applicable law.

C.1.8 Where applicable, explain the reasons why Proprietary Directors have been appointed at the request of shareholders whose shareholdings represent less than 3% of the total share capital:

Name or corporate name of the shareholder	Rationale
No data available	

Indicate whether formal requests to participate in the Board have been denied for shareholders whose shareholdings are equal to or more than the shareholdings of others who have been appointed as Proprietary Directors, upon request. Where applicable, explain the reasons why the requests have been denied:

- Yes
- No

C.1.9 Indicate, where they exist, the powers and the entitlements delegated by the Board of Directors, including those relating to the possibility of issuing or repurchasing shares, to directors or board committees:

Name or corporate name of Director or Committee	Brief description
CARLOS DE PALACIO Y ORIOL	He is delegate all powers that can be delegated by law and by the articles of incorporation, jointly and severally for operations of any value and quantity
GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	He is delegate all powers that can be delegated by law and by the articles of incorporation, for any amount and quantity, jointly with Carlos de Palacio y Oriol, with the exception of certain powers of representation, in which case he may act jointly and severally.

C.1.10 Where applicable, identify those members of the Board, if any, who hold office as directors or executives of other companies that form part of the same group as the listed company:

Name or corporate name of director	Corporate name of the group entity	Position	Does he perform executive tasks?
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Talgo Inc.	Chairman	NO
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Motion Rail SA	CEO	YES
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Patentes Talgo S.L.	CEO	YES
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Talgo Deutschland GMBH	CEO	YES
MR. CARLOS DE PALACIO Y ORIOL	Motion Rail SA	Member	NO
MR. CARLOS DE PALACIO Y ORIOL	Patentes Talgo S.L.	Chairman	YES
PEGASO TRANSPORTATION INTERNATIONAL SCA	Motion Rail SA	Member	NO

C.1.11 Detail the positions of board members, administrators or directors, or their representatives, held by the board members or representatives of members of the company's board of directors in other entities, regardless of whether they are listed companies:

Identification of the director or representative	Corporate name of the entity, listed or not	Position
MR. EMILIO NOVELA BERLÍN	Merlin Properties SOCIMI SA	INDEPENDENT COORDINATING DIRECTOR

Identification of the director or representative	Corporate name of the entity, listed or not	Position
MR. JOHN CHARLES POPE	R.R.Donelley&Sons Company (RRD)	CHAIRMAN
MR. JOHN CHARLES POPE	Waste Management Inc (WM)	DIRECTOR
MR. EMILIO NOVELA BERLÍN	Grupo ITEVELESA SL	CHAIRMAN
MR. EMILIO NOVELA BERLÍN	NOQCA PARTNERS SL	SOLE ADMINISTRATOR
MR. EMILIO NOVELA BERLÍN	SOTO DE VALDEJUDÍOS SL	SOLE ADMINISTRATOR
MS. MARISA PONCELA GARCIA	AMPER SA	DIRECTOR
MS. MARISA PONCELA GARCIA	IDOM SAU	DIRECTOR
MS. MARISA PONCELA GARCIA	Laboratorios Salvat SA	DIRECTOR
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	Ferrovial SA	DIRECTOR
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	GESTAMP SA	DIRECTOR
MR. JOSÉ MARÍA ORIOL FABRA	MONTALBAN XIV SA	DIRECTOR
MR. JOSÉ MARÍA ORIOL FABRA	ATM Media	DIRECTOR
MR. JAVIER OLASCOAGA	Global Aduar SL	DIRECTOR
MR. JAVIER OLASCOAGA	Universo Pacha SA	DIRECTOR
MR. JAVIER OLASCOAGA	Mediterranean Sky International SA	DIRECTOR
MR. JAVIER OLASCOAGA	Trilantic Europe SL	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Universo Pacha SA	DIRECTOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners IV Europe Lux GP Sarl	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners LLP	JOINT ADMINISTRATOR

Identification of the director or representative	Corporate name of the entity, listed or not	Position
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Management Ltd	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners Management Ltd	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners V Management Ltd	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Capital Partners V (Europe) GPSARL	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Trilantic Europe Ltd	JOINT ADMINISTRATOR
MR. FRANCISCO JAVIER BAÑON TREVIÑO	Pegaso Transportation Sarl	JOINT ADMINISTRATOR
MR. JOSE MARÍA DE ORIOL FABRA	Región Centro BBVA	DIRECTOR
MS. MARISA PONCELA GARCIA	Bondalti Capital S.A.	DIRECTOR
MR. PEDRO DEL CORRO GARCIA-LOMAS	Torreal Sociedad de Capital Riesgo SA	DIRECTOR
MR. PEDRO DEL CORRO GARCIA-LOMAS	Miravel Spi, SL	DIRECTOR
MR. PEDRO DEL CORRO GARCIA-LOMAS	Arbarin Sicav SA	DIRECTOR
MR. PEDRO DEL CORRO GARCIA-LOMAS	Inversiones Naira SICAV	DIRECTOR
MR. PEDRO DEL CORRO GARCIA-LOMAS	Austral Capital SIL, SA	DIRECTOR
MR. PEDRO DEL CORRO GARCIA-LOMAS	Laureate Education INC	DIRECTOR

Indicate, if applicable, all other paid activities of directors or their representatives, regardless of their nature, different to those mentioned in the above table.

Identification of the director or representative	Other paid activities
MS. MARISA PONCELA GARCIA	Strategic Consulting
MR. JAVIER OLASCOAGA	Partner Trilantic Capital Management LLP
MR. ANTONIO OPORTO DEL OLMO	Teaching and consulting

C.1.12 Indicate and, if applicable, explain if the company has established rules on the maximum number of board of directors of which its directors may be a part, identifying, where appropriate, where it is regulated:

- Yes
 No

Explanation of the rules and identification of the document where it is regulated

In accordance with the provisions of Article 31(xii) of the Board of Directors' Regulations, Directors may not serve on more than five (5) Boards of Directors, unless expressly authorised to do so by the Board of Directors, at the proposal of the Appointment and Remuneration Committee, excluding: (i) Boards of Directors of companies that form part of the same group as the company; (ii) Boards of Directors of family companies or companies owned by the Directors or their families; and (iii) Boards that they sit on due to their professional relationships.

C.1.13 Indicate the amounts of the following items relating to the overall remuneration of the board of directors:

Remuneration accrued in the year in favour of the board of directors (thousand euros)	2,498
Amount of funds accumulated by the current board members through long-term savings systems with consolidated economic rights (thousands of euros)	664
Amount of funds accumulated by the current directors through long-term savings systems with consolidated economic rights (thousands of euros)	
Amount of funds accumulated by former directors through long-term savings systems (thousands of euros)	

C.1.14 Identify the members of senior management who are not Executive Directors and indicate the total amount of remuneration accrued by them during the year:

Name or corporate name of related body	Position/s	
MR. FERNANDO AZNAR ALONSO	Director of Engineering	
MS. YOLANDA JUANAS GARRIDO	Human Resources Director	
Mr. ALVARO SEGURA ECHANIZ	Chief Financial Officer (CFO)	
MS. ELENA MORAL GRANDE	COO	
MR. RAFAEL JOSE STERLING ECHEVARRIETA	Business Development Director	
Number of women in senior management		2
Percentage of total number of members of senior management		40.00
Total remuneration of senior management (in thousands of euros)		1,057

C.1.15 Indique si se ha producido durante el ejercicio alguna modificación en el reglamento del consejo:

- [] Sí
[✓] No

C.1.16 Indicate the procedures for selecting, appointing, re-electing and removing Directors. List the competent bodies, the procedures followed and the criteria used for each procedure.

1. -APPOINTMENT OF DIRECTORS

The General Shareholders' Meeting is responsible for appointing, electing and removing Directors. Nevertheless, the Board may cover any vacancies that arise, through the co-opting procedure, on a temporary basis, until the next General Shareholders' Meeting is held. The following may not be appointed as Directors, nor, where the case may be, legal entity natural person representatives of a Director: (i) companies, national or foreign, or those whose significant, direct or indirect, shareholder has directly or indirectly a participation of a society of the railway sector or other sectors, competitors of the society, as well as managers or Senior Executives and persons who, in their case, were proposed by the same status as shareholders. (ii) persons who, in the two (2) years prior to his possible appointment, had occupied senior positions in public administration incompatible with the performance of their functions as Director in a listed company in accordance with state or regional legislation, or positions of responsibility in any sector in which the company develops its activity. (iii) the natural or legal persons that are falling in any other case of incompatibility or prohibition regulated in the rules of a general nature, including those who in any form have interests opposed to those of the society or any society of the Group. (iv) the Board of Directors—and the Appointments and Remuneration Committee within the scope of their powers shall ensure that the proposals of candidates that they raise to the General Shareholders' Meeting for their appointment or re-election as directors, and the appointments it makes directly for the coverage of vacancies in the exercise of its powers of co-option, fall on good, honourable people and of recognized solvency, competence, experience, qualification, training, availability and commitment to their role. It shall endeavour to ensure, as well, that the candidate selection process results in a well-balanced Board of Directors, as diversity enriches decision making and allows multiple points of view to be shared during discussions of matters under its remit. (v) In the case of legal entity Directors, the individual person who represents an entity in the exercise of the functions inherent to the role of Director shall be subject to the same requirements indicated in the paragraph above. The incompatibilities and duties established for the Board in the Corporate Bylaws and in the Board Regulations shall be equally applicable to the individual person representing the legal entity.

2. - RE-ELECTION OF DIRECTORS

Proposals for the re-election of Directors that the Board of Directors decides to submit to the General Shareholders' Meeting must be subject to a process of elaboration of which a proposal will necessarily be part (in the case of Independent Directors) or a report (in the case Of the other Directors) issued by the Appointments and Remuneration Committee, which will evaluate the quality of the work and the dedication to the position of the Directors proposed during the previous term, as well as, expressly, the honourability, suitability, solvency, competence, availability and commitment to their role. In any case, the ratification and re-election of the Directors must comply with the provisions of the law and the Corporate Governance System Rules of the company.

3. - EVALUATION OF DIRECTORS

Article 21.8 of the Board of Directors' Regulations establishes an annual action plan, which requires the Board of Directors to evaluate its own operation and the quality and efficiency of its work, as well as that of the different Committees and, to propose, on the basis of the results, an action plan to correct any deficiencies detected, recording the results of that evaluation in the minutes of the meeting and incorporating them as an annex; as well as on the basis of the previous report from the Appointments and Remuneration Committee, the review and evaluation on an annual basis of the work performed by the Chairman of the Board in his capacity as such and, where applicable, the work performed by the Managing Director and CEO of the Company, as well as of the work performed by the different committees. During

the discussion between the Board of Directors about the work of the Chairman in his capacity as such and, where applicable, the Managing Director and CEO of the Company, the person being discussed may not be present and so the Vice-President of the Board of Directors and, in his absence, the Director appointed for that purpose by the Board of Directors, should lead the debates, in accordance with the provisions of the Regulations of the Board.

4. - REMOVAL OF DIRECTORS

The Directors shall leave office when the period of which they are appointed has elapsed or when so decided by the General Shareholders' Meeting in its exercise of the power assigned to it.

The term of office shall be four (4) years from the date of acceptance. The Board of Directors shall not propose the termination of any Independent Director before the end of his term in office, unless the Board of Directors identify just cause to do so, following a report from the Appointments and Remuneration Committee. In any case, the Appointments and Remuneration Committee shall report to the Board of Directors about proposed removals due to any breach of duties inherent to the role of Director or if a Director is involved in any activity that warrants his resignation or the mandatory termination of his appointment.

The Diversity Policy norms approved by the Board of Directors at its meeting held on 22 February 2018, will be observed—along with those already existing in the company—both by the Remuneration and Appointments Committee and by the Board of Directors. Administration in all process of appointment, re-election, evaluation and removal of directors

C.1.17 Explain the extent to which the annual evaluation of the Board has prompted significant changes in its internal organisation and the procedures applicable to its activities:

Description of modifications

The Board of Directors has implemented an evaluation system for monitoring the work of each Director individually and the board in a collective way that will improve its activity and its evaluation.

Describe the evaluation process and the areas evaluated by the board of directors assisted, where applicable, by an external consultant, regarding the operation and composition of the board and its committees and any other area or aspect that has been subject to evaluation.

Description of the evaluation process and areas evaluated

A first class independent consultant was requested during the 2021 financial year to assess the performance of the Board of Directors and the board committees. The results were delivered during the same financial year. The recommendations made have been implemented during the financial year 2022.

The assessment process was established in accordance with the recommendations of the CNMV (Securities and Exchange Commission) and focused on the functions assigned to the board and board committees by law, the articles of incorporation and the board regulations.

All Directors underwent the assessment through personal interviews and questionnaires covering 102 subjects.

The results obtained were used to make recommendations.

C.1.18 Breakdown, in those exercises in which the evaluation has been assisted by an external consultant, the business relationships that the consultant or any company of its group maintains with the company or any company of its group.

The external consultant that carried out the evaluation of the Board and its delegated committees was KPMG, with whom Talgo has other business relationships. Specifically, the external consultant, through separate teams and different scopes of application, advises Talgo in the field of information technology systems and management systems.

C.1.19 Indicate the cases in which Directors must resign.

Directors must submit their resignation to the Board of Directors and formally resign in the following cases:

- (i) When, due to supervening circumstances, they are involved in any of the cases of incompatibility or prohibition established in the general provisions of the Company's Bylaws or the Board of Directors' Regulations.
- (ii) When an act or conduct attributable to the Director has caused serious harm to the corporate assets or reputation of the Company or a risk arises of criminal liability for the Company.
- (iii) When they lose the reputation, capability, solvency, competence, availability or commitment to their duties necessary to be a Director of the Company.
- (iv) When their continuation on the Board of Directors may jeopardise, for any reason, and directly, indirectly or through any persons related to them (according to the definition of that term contained in the Regulations of the Board), the loyal and diligent performance of their duties in accordance with the corporate interest.
- (v) When the reasons for which they were appointed cease to exist and, in particular, in the case of Proprietary Directors, when the shareholders who they represent sells some or all of their shareholdings with the consequent loss of the shareholders' significant or sufficient stake to justify the appointment. The number of Proprietary Directors proposed by a shareholder should decrease in proportion to the reduction in the stake in the Company's share capital.
- (vi) When, for any reason, an Independent Director becomes involved in any of the prohibiting circumstances set forth in Article 8.5 of the Regulations of the Board.
- (vii) When the Director reaches 76 years of age. In any of the cases described in the preceding paragraphs, the Board of Directors shall require the Director to resign from office and, where applicable, shall propose his removal at the General Shareholders' Meeting.

By way of exception, the above shall not apply in the event of the resignations set forth in paragraphs (v) and (vi) above, when the Board of Directors considers that reasons exist to justify the continuation of the Director in office, following a report from the Appointments and Remuneration Committee, without prejudice to the effect that the new supervening circumstances may have on the classification of the Director. In the event that an individual person who represents a legal entity Director finds himself involved in any of the cases described above, he shall be disqualified from exercising such representation.

C.1.20 Are qualified majorities required for any kind of decision, other than those prescribed by law?:

- Yes
- No

In your case, describe the differences.

C.1.21 Explain if there are specific requirements, different from those relating to directors, to be appointed chairman of the board of directors:

- Yes
- No

C.1.22 Indicate whether the bylaws or the regulations of the Board establish any age limit for Directors:

- Yes
- No

	Age limit
Chairman	76
CEO	76
Director	76

C.1.23 Indicate whether the bylaws or board regulations establish a limited mandate or other requirements more stringent than those legally provided for independent directors, other than that established in the regulations:

- Yes
- No

C.1.24 Indicate whether the bylaws or the Regulations of the Board establish specific rules for proxy voting by Board members, the way of doing it and, in particular, the maximum number of proxies that a Director may have, as well as whether any limitations have been established in terms of the categories to which it is possible to delegate, beyond the limitations imposed by law. Where applicable, provide a brief description of those rules.

The Company's articles of incorporation stipulate that directors may only be represented at meetings of the Board of Directors by another director and that representation is confirmed by letter addressed to the Chair. Likewise, the Board Regulations establish that, when exceptionally the directors cannot attend the meetings of the Board in person, they will seek to transfer their representation to another member who has the same status, including the appropriate instructions. External directors may only delegate their representation to another external director. The representation must be conferred in writing on a special basis for each session.

C.1.25 Indicate the number of meetings that the Board of Directors has held during the year. Also, where applicable, indicate the number of times that the Board has met without the Chairman in attendance. Attendance shall also include proxies appointed with specific instructions.

Number of Board meetings	11
Number of Board meetings held without the Chairman's attendance	0

Indicate the number of meetings held by the coordinating director with the rest of the directors, without the assistance or representation of any executive director:

Number of meetings	0
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Indicate the number of meetings that the different Board committees have held during the year:

Number of meetings of the Audit Committee	5
Number of meetings of the Appointments and Remuneration Committee	2
Number of meetings of the Strategy and Sustainability Committee	2

C.1.26 Indicate the number of meetings the board of directors has held during the year and the attendance data of its members:

Number of meetings attended by at least 80% of the directors	8
% attendance in person on total votes during the year	93.94
Number of meetings with face-to-face attendance, or representations made with specific instructions, of all the directors	4
% of votes cast with face-to-face attendance and representations made with specific instructions, on total votes during the year	100.00

C.1.27 Indicate whether the individual and consolidated annual accounts submitted to the Board for approval had been certified previously:

- Yes
 No

Identify, where applicable, the person(s) that certified the Company's individual and consolidated annual accounts prior to their authorisation for issue by the Board:

C.1.28 In the event that they exist, explain the mechanisms established by the Board of Directors to prevent the individual and consolidated accounts that it prepares from being presented to the General Shareholders' Meeting with a qualified audit report.

The Audit Committee holds periodic meetings with the external auditor at which, among other items, it reviews the conclusions of the external auditor's work. Similarly, in accordance with the provisions of the Regulations of the Board of Directors, it has the following powers:

- (a) Directing a unit or department in the Company that assumes the role of internal audit and that ensures the proper operation of the IT and internal control systems (that department shall functionally report to the Chairman of the Audit Committee).
- (b) Supervising the process for preparing, presenting and ensuring the integrity of the mandatory financial information relating to the Company and, where applicable, to the group, as well as reviewing compliance with the regulatory requirements, the appropriate delimitation of the consolidation perimeter and the correct application of the accounting criteria.
- (c) Regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed.
- (d) Supervising the effectiveness of the Company's internal control system, the internal audit function and the risk management systems, including those relating to tax, as well as discussing any significant weaknesses detected in the internal control system with the auditor of the accounts during its performance of the audit.
- (e) Establishing and supervising a mechanism that allows the employees to report, confidentially and, where appropriate, anonymously, any potentially significant irregularities, especially any relating to financial and accounting matters that arise in the core of the company.
- (f) Ensuring that the Board of Directors submits the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report and that, in exceptional cases, when qualifications exist, ensuring that both the Chairman of the Audit Committee and the auditors clearly explain the content and scope of those limitations or qualifications to the shareholders.

C.1.29 Is the Secretary of the Board also a Director?

- Yes
 No

If the Secretary is not a Director, complete the table below:

Name or corporate name of the Secretary	Representative
MS. MARÍA JOSÉ ZUECO PEÑA	

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, as well as, if any, mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how the legal provisions have been implemented in practice.

In accordance with the provisions of the Board of Directors' Regulations regarding the powers of the Audit Committee, it is responsible for:

Presenting proposals to the Board of Directors for submission to the General Shareholders' Meeting regarding the selection, appointment, re-election, evaluation and removal of the external auditors, as well as the conditions for their engagement.

- (a) Receiving regular information from the external auditor about the audit plan and the results of its implementation, and verifying that senior management take their recommendations into account.
- (b) Ensuring the independence of the external auditor and, to that end:

- Ensure that the remuneration received by the external auditor for his work does not compromise his quality or his independence.
 - Ensuring that the Company notifies the National Securities Market Commission about any change in the auditors as a significant event, and that it accompanies its report with a declaration regarding the potential existence of disagreements with the outgoing auditor and, if they exist, their contents.
 - Ensuring that the Company and the external auditor adhere to current legislation regarding the provision of non-audit services, the limits in terms of the concentration of the external auditor's business and, in general, the other rules established to ensure the independence of the auditors.
 - In the event that the external auditor resigns, examine the circumstances that have given rise to his resignation.
- (c) Establishing the appropriate relationships with the auditors or audit firms so as to receive information regarding those questions that may pose a risk to their independence, for consideration by the Audit Committee, as well as any other related to the process to audit the accounts, as well as any other communications provided for in the audit legislation and auditing standards. In any case, they must receive a declaration of independence from the auditors on an annual basis regarding the Company and the companies related to it, directly or indirectly, as well as information about the additional services rendered, of any kind, and the corresponding fees received from those companies by the external auditors or by people or entities linked to them, in accordance with the provisions of the legislation governing audits. Ensuring that the external auditor holds at least one meeting per year with the full Board of Directors to inform it about the work performed and about the evolution of the accounting environment and the risks facing the Company.
- (d) Issuing an annual report, prior to the issue of the audit report, in which it expresses an opinion about the independence of the auditors or the audit firms. This report should comment, in all cases, about the provision of additional services to those described in the paragraph above, considered both individually and as a whole, besides the statutory audit and regarding the framework of independence or audit regulations.
- (e) Where appropriate, encouraging the auditor of the group to take responsibility for the audits of the companies that comprise it.

C.1.31 Indicate whether the Company has changed its external auditor during the year. If so, identify the outgoing and incoming auditors:

- Sí
 No

En el caso de que hubieran existido desacuerdos con el auditor saliente, explique el contenido de los mismos:

- Sí
 No

C.1.32 Indicate whether the audit firm performs non-audit work for the Company and/or the Group and if so, state the amount of the fees paid for such work and the percentage that they represent of the total fees invoiced to the Company and/or the Group:

- Yes
 No

	Company	Companies in the Group	Total
Fees for non-audit work (thousand euros)	19	3	22
Import jobs other than audit / Amount audit jobs (in%)	5.86	0.10	6.80

C.1.33 Indicate whether the audit report for the annual accounts last year contained any reservations or qualifications. If so, indicate the reasons given to the shareholders at the General Shareholders' Meeting by the Chairman of the Audit Committee to explain the content and scope of said reservations or qualifications.

Yes
 No

C.1.34 Indicate the number of consecutive years that the current audit firm has been performing the audit of the annual accounts of the Company and/or the group. Also, indicate the number of years the Company has been audited by the current audit firm as a percentage of the total number of years for which the annual accounts have been audited:

	Individual	Consolidated
Number of uninterrupted exercises	10	10
	Individual	Consolidated
Number of exercises audited by the current audit firm / Number of exercises that the company or its group has been audited (in%)	45.45	45.45

C.1.35 Indicate whether there are procedures in place for the Directors to receive the information they need in sufficient time to prepare for meetings of the governing bodies and, where applicable, provide details:

Yes
 No

Procedure detail

The Directors have a specific computer application that facilitates the performance of their duties and the exercise of their right to information. In this application, the necessary and adequate information is incorporated for the preparation of the meetings of the Board of Directors according to the agenda specified in the calls and the materials and presentations related to them.

C.1.36 Indicate and where appropriate, provide details as to whether the Company has established rules that force the Directors to report and, where applicable, resign in cases that may harm the Company's credibility and reputation:

Yes
 No

Explain the rules

In accordance with the provisions of Article 14.3 of the Board of Directors' Regulations, Directors must tender their resignation to the Board of Directors and formally resign in the following cases: When an act or conduct attributable to the Director has caused serious harm to the corporate assets or reputation of the Company or a risk arises of criminal liability for the Company. When they lose the reputation, capability, solvency, competence, availability or commitment to their duties necessary to be a Director of the Company.

C.1.37 Indicate, unless special circumstances have occurred that have been recorded in the minutes, whether the board has been informed or has otherwise become aware of any situation affecting a director, whether or not related to his or her performance in the company itself, which could damage the credit and reputation of the company:

[] Yes
[√] No

C.1.38 List the significant agreements entered into by the Company, which would come into force, be modified or terminate in the event of a change in control of the Company as the result of a takeover bid, and their effects.

At year-end 2022, the Company has loans arranged with financial institutions that may mature early or require additional guarantees in the event of a change of control, which together represent approximately 227 million euro.

C.1.39 Identify in aggregate terms, and describe in detail, any agreements between the Company and its Directors, executives and employees that provide indemnities, or guarantee or protective clauses, in the event of resignation, unfair dismissal or termination as a result of a takeover bid or other type of operation.

Number of beneficiaries	2
Type of beneficiary	Agreement description
Executive Directors	The Chairman of the Board is entitled to compensation in the following cases: 1) in case of unfair dismissal, equivalent to twelve (12) monthly payments, in addition to the annual bonus provided that the corresponding financial year has ended, 100% of the length of service bonus and 100% of the performance bonus; 2) for business reasons, the same as in circumstance 1, excluding the performance bonus; 3) without cause, the length of service and performance bonus accrued up to the date of termination. The Chief Executive Officer is entitled to compensation in the following cases: 1) in the case of unfair dismissal, a period of six months' notice shall not be payable. In case of a shorter period of notice, compensation of up to six months. 2) for due cause, no compensation shall be payable.

Indicate whether, beyond the cases stipulated in the regulations, these contracts have to be communicated and / or approved by the bodies of the company or its group. If so, specify the procedures, foreseen assumptions and the nature of the bodies responsible for their approval or making the communication:

	Board of Directors	General Shareholders' Meeting
Body authorising clauses	√	√

	Yes	No
Is the general meeting informed about the clauses?	√	

C.2. Board Committees

C.2.1 List all of the committees in which the Board of Directors participate, their members and the proportion of Executive, Proprietary, Independent and Other External Directors that comprise each one:

Audit Committee		
Name	Position	Category
MR. EMILIO NOVELA BERLÍN	CHAIRMAN	Independent
PEGASO TRANSPORTATION INTERNATIONAL SCA	MEMBER	Proprietary
MS. MARISA PONCELA GARCIA	MEMBER	Independent

% of Executive Directors	0.00
% of Proprietary Directors	33.33
% of Independent Directors	66.67
% of External Directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, that this Committee has attributed, and describe the procedures and rules of organization and operation of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether in the law or in the statutes or other social agreements.

A) In terms of the information and internal control systems, the Audit Committee shall be responsible for:

- Overseeing a unit or department in the Company that assumes the internal audit function and ensures the proper functioning of the information and internal control systems (this department should functionally report to the Chairman of the Audit Committee).
- Supervising the preparation, presentation and completeness of the mandatory financial information relating to the Company and, where applicable, to the group.
- Regularly reviewing the internal control and risk management systems.
- Supervising the effectiveness of the Company's internal control system, the internal audit function and the risk management systems, including those relating to tax.
- Establishing and supervising a mechanism that allows the employees to report, confidentially and, where appropriate, anonymously, any potentially significant irregularities, especially any relating to financial and accounting matters that arise in the core of the company.
- Ensuring that the Board of Directors submits the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report and that, in exceptional cases when qualifications exist, ensuring that both the Chairman of the Audit Committee and the auditors clearly explain the content and scope of those limitations or qualifications to the shareholders.

B) In terms of the external auditor:

- Presenting proposals to the Board of Directors for submission to the General Shareholders' Meeting regarding the selection, appointment, re-election, evaluation and removal of the external auditors, as well as the conditions for their engagement.
- Receiving regular information from the external auditor about the audit plan and the results of its implementation, and verifying that senior management take their recommendations into account.
- Ensuring the independence of the external auditor and, to that end:
 - Establishing the appropriate relationships with the auditors or audit firms so as to receive information regarding those questions that may pose a risk to their independence, for consideration by the Audit Committee, as well as any other related to the process to audit the accounts, as well as any other communications provided for in the audit legislation and auditing standards.
 - Issuing an annual report, prior to the issue of the audit report, in which it expresses an opinion about the independence of the auditors or the audit firms.
 - Where appropriate, encouraging the auditor of the group to take responsibility for the audits of the companies that comprise it.

C) Reporting to the Board of Directors about the following matters, prior to its adoption of the corresponding decisions reserved for the Board of Directors:

- (a) The financial information that, due to its status as a listed entity, the Company must disclose on a regular basis. The Audit Committee should ensure that the interim accounts are prepared using the same accounting criteria as the annual accounts and, to that end, should consider the appropriateness of engaging the external auditor to conduct a limited review.
- (b) The issue and admission prospectuses and other documentation relating to the emission and admission of shares.
- (c) The creation or acquisition of shares in special purpose entities or those domiciled in countries or territories considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, may impair the transparency of the group.
- (d) Related party transactions, except those that, by virtue of the Regulations of the Board or subsequent decisions by the Board of Directors, correspond to another Committee.
- D) In terms of the internal audit function:
- (a) The Company shall have an internal audit function that shall operate under the supervision of the Audit Committee, to ensure the proper functioning of the information and internal control systems.
- (b) The head of the internal audit function shall present his annual work plan to the Audit Committee;
- (c) The Audit Committee watches over the independence and effectiveness of the internal audit function.
- E) The Audit Committee shall ensure the independence and effectiveness of the internal audit function;
- (a) The different types of risk (operational, technological, financial, legal, reputational, etc.) that the Company faces, including any contingent liabilities and other off balance sheet risks within the financial or economic risks.
- (b) The level of risk that the Company considers acceptable.
- (c) The measures established to mitigate the impact of the risks identified, in the event that they end up materialising.
- (d) The information and internal control systems that will be used to control and manage the aforementioned risks, including any contingent liabilities or off balance sheet risks.

2- PROCEDURES, RULES OF ORGANISATION AND OPERATION

The Board of Directors shall constitute a permanent Audit Committee, comprising between three (3) and five (5) members, who must be External Directors. The Audit Committee shall comprise at least two (2) Independent Directors, at least one of which should be appointed taking into account his knowledge and experience in terms of accounting, audit or both.

The Chairman of the Audit Committee shall be chosen from the Independent Directors that form it. The Audit Committee shall meet at least once a quarter and whenever appropriate, when convened by the Chairman, of his own accord or in response to a request from two (2) of its members, from the Chairman of the Board of Directors or of the Executive Committee or, where applicable, from the CEO, from some Executive belonging to the Corporation or even without any Executive at all. The Audit Committee will perform in an annual basis, an annual report comprising all the activities carried out by it.

Identify the members of the Audit Committee that have been appointed taking into account their knowledge and experience in accounting, auditing or both and report on the date of appointment of the Chairman of this committee in office.

Names of experienced directors	MR. EMILIO NOVELA BERLÍN
Date of appointment of the President in his position	28/03/2015

Strategy and Sustainability Committee		
Name	Position	Category
MR. GONZALO PEDRO URQUIJO FERNANDEZ DE ARAOZ	MEMBER	Executive
MR. JOSÉ MARÍA ORIOL FABRA	MEMBER	Executive
MS. MARISA PONCELA GARCIA	MEMBER	Independent
MR. ANTONIO OPORTO DEL OLMO	CHAIRMAN	Independent
PEGASO TRANSPORTATION INTERNATIONAL SCA	MEMBER	Proprietary

% of Executive Directors	40.00
% of Proprietary Directors	20.00
% of Independent Directors	40.00

% of External Directors	20.00
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Explain the functions delegated or attributed to this committee other than those already described in Section C.1.9, and describe its procedures and organization and operation rules. For each of these functions, indicate their most important actions during the financial year and how in practice they have exercised each of the functions assigned to them by law, by the articles of incorporation or by other corporate resolutions.

This Committee was created in May 2016 under the provisions of Article 23.3 of the Board of Directors' Regulations and is governed by the same with respect to: the appointment of its members, the appointment of its Chairman and Secretary and their functioning -and, in particular, with regard to the convening of the meetings, delegation of representation through another member of the relevant committee, incorporation, non-convened meetings, holding of a meeting, system for adopting resolutions, voting in writing and without a session ("por escrito y sin sesión") and approval of the minutes of the meetings available for the members of the Board of Directors.

The functions of this Committee are consultative and shall act duly coordinated in order to safeguard the company's interest, contributing towards the good corporate governance of the Company, according to what is established in the Corporate Bylaws and in the Regulations of the Board of Directors.

The Strategy Committee is an internal committee of Talgo and pursues its activity under the direct indications of the Chairman of the Board of Directors and of the Chief Executive Officer of the company that, furthermore, will be members of it.

The Committee has carried out the activities assigned by Law and by the regulations that make up the company's Corporate Governance System. The Committee has exercised its powers in practice and reported on the most relevant activities:

- Providing technical support to the Board of Directors, in relation to Talgo's strategic organization and coordination, by distributing information, implementing and following up on the general strategy.
- It provides technical, information and management support, both regarding the supervision and follow-up functions, as well as the business strategy planning for which the Company's Board of Directors is responsible, and is the driving force behind its Chair, CEO and the rest of the management team, thereby allowing Talgo's business strategy to be developed.
- It establishes methodologies, analysis systems, decision supervision procedures and control instruments, in the interest and for the benefit of all the companies forming part of the group, always respecting the scope of ordinary management and effective management for which the governing and management bodies are responsible.
- It promotes the setting of internal regulations (on investments and divestments, purchases, corporate services, etc.) that service as coordination instruments at the service of, and in the interest of all Group companies, thereby facilitating the supervision and follow-up of decision making. The aim of this is to ensure compliance with the management strategies and guidelines put in place by the Company's board of directors, as the group's parent company.

Appointments and Remuneration Committee		
Name	Position	Category
MR. FRANCISCO JAVIER BAÑON TREVIÑO	MEMBER	Proprietary
MR. JOHN CHARLES POPE	MEMBER	Independent
MR. ANTONIO OPORTO DEL OLMO	CHAIRMAN	Independent

% of Executive Directors	0.00
% of Proprietary Directors	33.33
% of Independent Directors	66.67
% of External Directors	0.00

Explain the functions, including, where appropriate, those additional to those legally provided, that this Committee has attributed, and describe the procedures and rules of organization and operation of the same. For each of these functions, indicate its most important actions during the year and how it has exercised in practice each of the functions attributed to it, whether in the law or in the statutes or other social agreements.

1.- FUNCTIONS

Evaluate the necessary competencies, knowledge and experience in the Board of Directors, to define the necessary functions and skills in the candidates who must fill each vacancy, and to evaluate the time and dedication necessary for them to adequately carry out their duties. The Committee performs the activities assigned by Law and by the regulations that make up the company's Corporate Governance System:

- Assessment of the degree of compliance with targets set for the Group's senior management for the year 2022.
- Analysis of the remuneration system for members of the Board of Directors.
- Proposal regarding the approval of a new long-term incentive plan for the company's executive directors and executives.
- Analysis of the company's current structure of executives. Action plan and proposals for its development and for strengthening certain areas.
- Preparation of the legally required reports related to the appointment of new Board Members by the General Shareholders' Meeting and for the appointment by cooptation of Board Members to cover vacancies occurring within the Board of Directors.
- Forward suggestions to the Board of Directors to ensure best compliance with current legislation on the composition of this governing body and its operation.
- Establishment of the Group's senior management objectives for 2022.

2.- PROCEDURES, RULES OF ORGANISATION AND OPERATION

The Board of Directors shall establish a permanent Appointments and Remuneration Committee composed of between three (3) and five (5) members, who shall be external Directors. At least two (2) Independent Directors shall form part of the Appointments and Remuneration Committee. The Chairman of the Appointments and Remuneration Committee will be appointed from among the Independent Directors who are part of it.

The appointment of members of the Appointments and Remuneration Committee, as well as the appointment of its Chairman and Secretary, shall be made by the Board of Directors by an absolute majority. Its renewal will be made in the time, form and number decided by the Board of Directors of the Company.

The Secretary of the Appointments and Remuneration Committee may be one of its members or the Secretary or Deputy Secretary of the Board of Directors. In the latter case, the Secretary may not be a member of the Appointments and Remuneration Committee.

The Appointments and Remuneration Committee shall meet as often as necessary, in the opinion of its Chairman, for the exercise of its powers.

Shall meet when requested by at least two (2) of its members. The Chairman of the Board of Directors and the CEO may request informational meetings of the Appointment and Remuneration Committee, on an exceptional basis.

Notwithstanding the foregoing, the Appointments and Remuneration Committee shall meet whenever the Board of Directors requests the issuance of a report or the approval of proposals within the scope of its powers and whenever, in the opinion of the Chairman of this committee, it results convenient for the proper development of its purposes. The Appointments and Remuneration Committee shall be validly constituted when the majority of its members attend the meeting, present or represented.

The resolutions shall be adopted by an absolute majority of the concurrent Directors (present or represented) to the Session, being the vote of the Chairman in case of a tie the casting vote. Any Board Member of the Company may also request that the Appointments and Remuneration Committee take into consideration, due to its suitability, potential candidates to fill vacancies as a Director.

C.2.2 Complete the following table with information about the number of female Directors who sat on the various Board committees at the end of the last four years:

	Number of female Directors							
	Financial Year 2022		Financial Year 2021		Financial Year 2020		Financial Year 2019	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	1	0.33	0	0.00	0	0.00	0	0.00
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00



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C.2.3 Indicate, if applicable, whether there are any regulations governing the Board committees. If so, indicate where they are made available for consultation and whether any amendments have been made to them during the year. In turn, indicate whether an annual report has been prepared voluntarily about the activities of each Committee.

The Audit Committee, the Appointments and Remuneration Committee and the Strategy and Sustainability Committee are governed by specific regulations, which are included within the Board of Directors' Regulations and which are made available to interested parties on the Company's website: www.talgo.com> investors > Corporate governance > Internal regulations

D. RELATED PARTY TRANSACTIONS AND INTRA-GROUP OPERATIONS

D.1. Explain, if applicable, the procedure and competent bodies for the approval of related party and intra-group transactions, indicating the entity’s criteria and general internal rules that regulate the obligations of the affected director or shareholders to abstain, and detailing the internal reporting and periodic control procedures established by the company in relation to any related party transactions whose approval has been delegated by the board of directors.

Article 40 of the Board of Directors’ Regulations establishes that:

The Board of Directors shall be made aware of the transactions that the Company undertakes, directly or indirectly, with Directors, significant shareholders or representatives of the Board or with persons related to them. The performance of such operations or transactions shall require the authorisation of the Board of Directors, following a favourable report from the Appointments and Remuneration Committee, which must be approved with a favourable vote of, at least, eighty per cent (80%) of the Directors, present or represented, at that meeting.

The Directors affected by the aforementioned operations must not exercise or delegate their right to vote, nor may they be present in the meeting room whilst the Board of Directors discusses and votes in this regard. Nevertheless, the authorisation established in the previous paragraph shall not be necessary when dealing with operations that simultaneously fulfil the following three conditions:

- (i) When they are undertaken by virtue of contracts whose terms and conditions are fundamentally standardised and reflect those usually applied to clients contracting the type of product or service involved.
- (ii) When they are undertaken at general prices or tariffs established by whoever acts as the supplier of the good or service involved or when the operations relate to goods or services for which no established tariffs exist, under normal market conditions, similar to those applied in commercial relationships with clients that have similar characteristics.
- (iii) The amount does not exceed one per cent (1%) of the Company’s annual revenues. If these conditions are fulfilled, the affected Directors shall not be obliged to report such operations or obtain authorisation in advance from the Board. The aforementioned operations shall be valued from the point of view of equal treatment and market conditions, and shall be reflected in the Annual Corporate Governance Report, and in the information that is regularly disclosed under the terms established in the applicable legislation. On an exceptional basis, when reasons of urgency so require it, related party transactions may be authorised, where applicable, by the Executive Committee, and then subsequently ratified by the Board of Directors.

D.2. Individually detail any transactions that are significant due to their amount, or that are relevant due to their subject matter, performed between the company or its subsidiaries and shareholders holding 10% or more of voting rights or represented on the company’s board of directors, indicating the body with powers to approve the transactions and whether any affected shareholder or director abstained. If the powers lay with the board, state whether the proposed resolution was approved by the board without any votes against it by the majority of the independent directors:

	Name or corporate name of the shareholder or of any of its dependent companies	% Shareholding	Name or corporate name of the company or dependent entity	Amount (thousand euros)	Approving body	Identification of any significant shareholders or directors who abstained	The proposal to the board, if applicable, was approved by the board without any votes against it by the majority of independents
No data available							

	Name or corporate name of the shareholder or of any of its dependent companies	Nature of the relationship	Type of transaction and other information required for its assessment
No data available			

D.3. Individually detail any transactions that are significant due to their amount, or relevant due to their subject matter, carried out by the company or its subsidiaries with the company's administrators or executives, including any operations carried out with entities controlled or jointly controlled by the administrator or manager, and indicate the body with powers for its approval and whether any affected shareholder or director abstained. If the powers lay with the board, state whether the proposed resolution was approved by the board without any votes against it by the majority of the independent directors:

	Name or corporate name of the administrators or executives or of their controlling entities, or entities under joint control	Name or corporate name of the company or dependent entity	Link	Amount (thousand euros)	Approving body	Identification of any significant shareholders or directors who abstained	The proposal to the board, if applicable, was approved by the board without any votes against it by the majority of independents
No data available							

	Name or corporate name of the administrators or executives or of their controlling entities, or entities under joint control	Nature of the transaction and other information required for its assessment
No data available		

D.4. Individually report any intra-group operations that are significant due to their amount or relevant due to their subject matter, carried out by the company with its parent company or with other entities belonging to the parent company's group, including the listed company's own subsidiaries, unless no other related party of the listed company has interests in these subsidiaries or they are wholly owned, directly or indirectly, by the listed company.

In all cases, list any intra-group transactions carried out with entities established in countries or territories that are considered to be tax havens:

Corporate name of the group entity	Brief description of the operation and other information required for its assessment	Amount (thousand euros)
No data available		

D.5. Individually detail any operations that are significant due to their amount or relevant due to their subject matter, carried out by the company or its subsidiaries with other related parties in accordance with the International Accounting Standards adopted by the EU, which have not been reported under the previous headings.

Corporate name of the related party	Brief description of the operation and other information required for its assessment	Amount (thousand euros)
No data available		

D.6. Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives, significant shareholders or other related parties.

Article 31 of the Board of Directors' Regulations establishes that Directors shall hold office with the loyalty of a faithful representative, acting in good faith and in the best corporate interest of the Company. To this end, Directors must comply with the obligations imposed by the law and, in particular, shall be subject to the following obligations and prohibitions, amongst others:

- (i) Directors may not undertake, for their own benefit or for the benefit of persons related to them, investments or operations linked to the assets of the Company about which they have become aware as a result of the performance of their role, when those operations have been offered to the Company, nor may they make use of company assets, including confidential information about the Company, for private purposes, or take advantage of the Company's own business opportunities.
- (ii) No Director, or any person related to him, may undertake activities for his own benefit or for the benefit of others that involve effective competition, be it actual or potential, with the Company or that, in any other way, places him in a position of permanent conflict with the interests of the Company. Similarly, Directors may not hold office or render any services to any companies that compete with the Company or any of its subsidiaries, or any that have the same, similar or complementary activity to the Company's own corporate purpose, unless expressly authorised to do so by the Company, by resolution at the General Shareholders' Meeting.
- (iii) Directors should refrain from participating in discussions and votes about agreements and decisions in which they or any of their related parties have a conflict of interest, be it direct or indirect, except those agreements or decisions that affect him in his capacity as an administrator, such as his appointment or removal for positions on the Board of Directors or others of similar significance.
- (iv) Directors should report to the Board of Directors any situations involving conflicts of interest, be they direct or indirect, with the interests of the Company. In the case of conflict, the affected Director should refrain from participating in the operation to which the conflict relates.

The Company's Board of Directors approved the Code of Conduct for the Securities Market in which a compliance unit was created and rules were established for, amongst other things, the detection and treatment of conflicts of interest.



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D.7. Indicate whether the Company is controlled by another entity within the meaning of Article 42 of the Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relationships with such entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them.

- Yes
 No

E. CONTROL SYSTEMS AND RISK MANAGEMENT

E.1. Explain the scope of the company's system for the control and management of financial and non-financial risks, including those of a tax nature.

In accordance with the provisions of Article 5.4 of the Board of Directors' Regulations and without prejudice to the legal powers attributed to this body, as established in a specific way in Section (xiii), the Board of Directors of Talgo, S.A. is responsible for "determining the policy for controlling and managing risks, including those of a fiscal nature, as well as for the overseeing the internal information and control systems".

The Talgo Group has been undertaking actions aimed at improving the control and risk management environment, and implementing systems and methodologies that allow the identification, evaluation, management, control and mitigation of the risks that it faces (operational, technological, financial, legal, tax, reputational).

Risk management is a continuous process that takes place at all levels of the organisation and in all of the Group's companies through different procedures, the main one being the structure of supervisory levels configured in the policies approved by the Board of Directors. Therefore, given that the Board of Directors has been assigned responsibility for maintaining the Talgo Group's internal control system, this manifests itself in the monitoring and control of the significant risks facing the Talgo Group and in the approval of actions aimed at improving the existing policies and procedures.

Meanwhile, the Audit Committee conducts a regular review of the internal control and risk management systems, to ensure that they are operating properly.

Internal control forms part of the Talgo Group's Corporate Risk Management System, and the basic components of that system are as follows:

a) Control environment

The Talgo Group gives priority to maintaining a control environment in its organisation, which forms the basis of all of the other elements of internal control, providing discipline and structure.

Management's philosophy and style constantly strengthens the culture of internal control within the organisation.

Senior Management is responsible for designing and reviewing the organisational structure, for defining reporting lines and authorising the appropriate distribution and segregation of tasks and functions, as well as for ensuring that sufficient procedures exist for its proper dissemination and understanding.

b) Regular evaluation of the main risks

During 2022, the risks assessed to have adequate coverage have been described in Section E3.

c) Control activities

The Talgo Group (by means of the governing bodies responsible for its internal control system) designs and implements control activities to reduce the risks detected. Those activities are communicated in such a way that they are understood by the employees and performed in an appropriate way.

All of the controls are designed with the aim of preventing, detecting, mitigating, offsetting and correcting the potential impact of risks in good time, and to this end preventative and detective controls are employed, as well as manual and automatic controls.

The control and risk management function is structured around two basic lines of defence, which have different roles and responsibilities. These lines are as follows:

-The organisational units, which assume risks during the ordinary performance of their activities. They are the owners of the risks and are responsible for the identification, detection and mitigation of risk.

- The Audit Committee and the Internal Audit Department, which are responsible, primarily, for ensuring the proper functioning of the control and risk management system, for defining the regulatory and methodological framework and for conducting the regular monitoring and overall control of the Group's risks. They are also responsible for supervising the effectiveness of the risk controls established.

d) Information and communication

The information systems are designed to facilitate the data required internally and externally, which may have an impact on the organisation. These systems collect, process and distribute the necessary information to users to enable the proper performance of their functions.

e) Supervision, organisation and responsibilities in their management.

The Talgo Group considers that an oversight system is essential in order to understand the operating level of the internal control system and to maintain an updated risk map.

E.2. Identify the bodies responsible for the preparation and implementation of the Risk Management System, including tax matters.

As described in the section above, the Board of Directors' Regulations is responsible for "determining the policy for controlling and managing risks, including those of a fiscal nature, as well as for supervising the internal information and control systems", as established in the Regulations of the Board of Directors of Talgo, S.A.. Meanwhile, the Audit Committee, through the functions that correspond to it in terms of the information and internal control systems, is responsible for supervising the preparation and control of the financial information in general, and of all of the procedures implemented for that purpose in particular, as well as for supervising the internal audit function and the relationship with the external auditor, with the purpose of ensuring its independence and obtaining a clean audit opinion, amongst other functions. Similarly, that Committee is specifically responsible for regularly reviewing the internal control and risk management systems, so that the main risks are properly identified, managed and disclosed. Similarly, its main activities include ensuring the independence and effectiveness of the internal control systems (proposing the selection, appointment, re-election and termination of the head of the internal audit service); receiving regular information about its activities and verifying that senior management takes into account the conclusions and recommendation of its reports.

Similarly, the Internal Auditor of the Talgo Group is responsible for ensuring the control of the risks facing the Group, amongst other functions, and to that end, he shall participate in the review and evaluation of the systems and procedures for controlling and mitigating risks. The Talgo Group performs internal audit work using its own staff, as well as external advisors, when necessary, which, under the supervision of the Audit Committee, ensure the proper functioning of the information and internal control systems.

Finally, it is worth noting the direct and continuous involvement of the Company's different departments, as well as of its Directors, and ultimately, the Steering Committee, in the operation of the procedures and tools for analysing and managing the specific risks associated with the Talgo Group's activities, for both the execution of each project, as well as during the phases prior to that.

E.3. Indicate the main risks, including tax risks and to the extent that the risks of corruption are significant (understood as the latter with the scope of Royal Decree Law 18/2017), which may affect the achievement of business objectives.

The Group is exposed to different risks inherent in the different countries in which it operates that may impede achieving its objectives.

Therefore, Talgo has implemented a risk management model, approved and monitored by the Audit Committee, applicable to all subsidiaries and permanent establishments in all the countries where it carries out its activity that ensures that the main risks are identified, valued and prioritized and, on the other hand, to establish the mechanisms and basic principles to achieve a level of risk that allows: (i) sustainable growth of the business, (ii) protect the reputation of the Group and encourage good practices at Corporate Governance and (iii) deliver a product and provide a quality service in all those geographies where trains and Talgo auxiliary machines operate.

The risks facing the Talgo Group in the performance of its activity may be classified as follows:

***Strategic and business risks**

These risks are inherent to the sector in which the Talgo Group operates and are linked to losses of value derived from external factors, economic cycles, war and its impact on the supply chain, changes in demand patterns and market structures.

The activities that the Talgo Group undertakes are mainly affected by the following risks:

- Country risk
- Delays in the development of infrastructure projects
- Variations in the regulatory framework
- The evolution of demand
- Pandemic risk
- Inflationary risk
- Geopolitical risk
- Supply chain risk

***Financial and tax risks**

The Talgo Group is subject to risks arising due to volatility in interest rates, exchange rates, prices and credit, as well as movements in other financial variables that may negatively affect the Group's liquidity. Prudent liquidity risk management involves maintaining sufficient cash, the availability of financing through a sufficient amount of committed credit facilities and having the capacity to liquidate market positions. The Group's Management performs regular monitoring of the Group's liquidity forecasts on the basis of its expected cash flows both over the short-term and long-term. The Group maintains sufficient cash to meet its liquidity requirements.

The Group operates with a portfolio of clients that mostly belong to the public railway sector, which means that the incidence of credit risk resulting from a lack of solvency or delay in payments by its clients is very low. Nevertheless, the Management team of the Talgo Group considers that this risk represents a key aspect in the daily management of the business, and so it focuses its efforts on the proper supervision and control of the evolution of its receivables accounts and the delinquency thereof. Credit risk represents the possible losses resulting from a failure to pay the monetary or quantifiable obligations by a counterparty to which the Talgo Group has granted net credit and that is pending settlement or collection. Counterparty risk comprises the possible failure to fulfil the requirements acquired by a counterparty by virtue of commercial contracts, generally established over the long-term.

The variable rate debt issued exposes the Talgo Group to cash flow interest rate risk, and for this, the Group's Management puts in place policies for the management of interest rate risk, negotiating fixed-rate financing contracts.

Likewise, it is exposed to possible modifications of fiscal regulatory frameworks and uncertainties due to possible interpretative differences of the current tax legislation, specifically in those cases in which the existing doctrine relating to certain issues is scarce or disparate. To mitigate the same account internally with qualified personnel as well as with the external advice of first level offices in all the countries in which it is established.

***Risk of cyber-attack and fraud**

The Talgo Group is exposed to the occurrence of criminal and fraudulent acts of a cyber nature, regardless of whether or not they are directed against the Company, in that they may affect its assets.

***Compliance risk**

The Talgo Group is exposed to compliance risk, which include the cost associated with possible sanctions for the infringement of laws and regulations, or those sanctions resulting from the materialisation of operational events (environmental damage, damage to third parties, leaking of confidential information, health, hygiene and safety in the workplace, etc.) or from the violation of the Company's internal policies and procedures. The Group's Compliance Unit proactively watches over the effective functioning of the Group's compliance system.

***Criminal liability risks**

The amendments to Article 31 bis of the Penal Code, which took place in 2010 and 2015, establish the criminal liability of legal entities. In this context, the Talgo Group may be responsible for certain crimes in Spain, if its administrators, executives or employees commit such crimes during the performance of their functions and in the interests of the Company.

To prevent the materialisation of this risk, the Talgo Group is implementing a Crime Prevention Model as well as an anti-corruption and anti-fraud policy, to introduces the necessary measures to prevent crimes from being committed in the business environment and to exempt from responsibility the different companies that compose the Group.

E.4. Identify if the entity has risk tolerance levels, including the tax.

As a general premise, the Talgo Group has a low risk tolerance level and a prudent profile when it comes to taking decisions that may involve risk exposure; it always seeks to ensure sustainable growth over time. To this end, it has established a series of fundamental basic premises that characterise the target behaviour of the Talgo Group and which cut across the whole organisation.

These premises relate to the solvency, liquidity and robustness of the results.

The Group operates a risk management system to address the difficulties associated with the management of the different projects that it undertakes. This begins with the selection of projects and the subsequent preparation of the offer, and it enables the identification and management of the different risks facing the Company during the normal course of its business. The results of this risk assessment are presented to the Audit Committee and the Board of Directors for decisions on the submission of bids or termination of the process. The project team, coordinated by the project manager, shall be responsible for defining actions to mitigate the risks and for controlling them until the completion of the project.

E.5. Indicate which risks, financial and non-financial, including tax risks, have materialised during the year.

During the financial year 2022, the main risks materialised were those related to the impact of the pandemic and the international armed conflict, mainly related to the supply chain and the inflationary spiral generated, as described in the notes to the financial statements for the financial year 2022.

E.6. Explain the plans for addressing and supervising the main risks facing the entity, including those relating to tax risks, as well as the procedures followed by the company to ensure that the board of directors responds to the new challenges that arise:

1. Risks of a financial nature

The Economic and Financial Department of the Group identifies, evaluates and covers the financial risks, establishing policies for the management of global risks, as well as for specific areas, such as exchange rate risk, interest rate risk, liquidity risk, the employment of derivatives and non-derivatives, investment of surplus liquidity and deviations from project budgets and fiscal risks.

a) Market risk

The various companies of the Talgo Group operate in the international environment and, therefore, are exposed to exchange rate risks due to foreign currency transactions. In order to control the exchange rate risk that arises on future commercial transactions, and recognised assets and liabilities, the Group's companies enter into currency hedging contracts, however the majority of the Group's operations are undertaken in the functional currency, euro. The aim of these hedges are to try to avoid the impact of the variations in the currencies in the different contracts signed, so that the Group's results are a true reflection of its industrial and service activities.

b) Credit risk

The majority of the receivables and work in progress balance that the Group holds correspond to several clients located in different countries. In most cases, the contracts include on-going payments that are made as the project progresses.

It is common practice for the Company to insure certain risks of resolution or non-payment of export contracts, by taking out export insurance policies and letters of credit, in accordance with the standards for the OECD Consensus for this type of instrument. The decision as to whether or not to perform the hedge is taken on the basis of the type of client and the country in which it operates.

c) Liquidity risk

The Group's Management performs regular monitoring of the Group's liquidity forecasts on the basis of its expected cash flows both over the short-term and long-term. The Group maintains sufficient cash to meet its liquidity requirements.

The search for and selection of business opportunities with the highest possible level of self-financing, within the existing market conditions, for each one of the contracts. In the case of manufacturing projects, which have an average execution period of approximately three years, the billing and execution milestones may not be aligned in terms of time, which supposes a consumption of financial resources that is managed with the appropriate financing sources.

d) Cash flow interest rate and fair value risk

The Group's interest rate risk arises from its long-term borrowings. The variable rate debt issued exposes the Group to cash flow interest rate risk, and for this, the Group's Management puts in place policies for the management of interest rate risk, such as interest rate hedges and swaps, as well as negotiating financing at fixed interest rates.

e) Risk resulting from deviations in project budgets

Deviations from project budgets that serve as the basis for the preparation of the respective bids, are analysed and controlled using a detailed IT system for each cost item, which compares the budgeted cost of these items with the reality of the cost situation for each project on an on-going basis. In this way, over the life of the projects, continuous monitoring is performed of this data through a complex internal process created for that purpose, in which each department involved in each project participates.

f) Fiscal risks

The Group is increasingly sensitive to the correct management of the fiscal risk given the importance that an incorrect treatment of the same may have from a financial, reputational and corporate governance point of view.

The Group has an adequate system to address the correct analysis of fiscal risks that allows it to identify, evaluate and mitigate them. This analysis is carried out considering, on the one hand, the different types of risks to be managed and, on the other hand, where the risk may be located within the Group, taking into account that decisions with fiscal significance are taken in numerous departments of the Group.

The management of fiscal risks requires effective control of these risks, both for their detection and for the implementation of mechanisms for their mitigation, considering the importance of risk mitigation.

2. Quality management system and environment

When carrying out our activities, priority is given to improving the effectiveness of our management systems in a sustainable, safe and quality way that achieves maximum satisfaction for our clients, employees and suppliers.

The guidelines that govern these activities are contained in our quality, prevention and environmental policies, which reflect the following standards: ISO 9001, ISO 14001 and IRIS.

3. Reliability of financial information

In Section F, details are provided of the Internal Control System for Financial Reporting (SCIIIF).

4. Other preventative procedures

Employment risk prevention system.

Employment risk prevention systems have been implemented for all of the activities, in accordance with the requirements of Law 31/1995 and its draft legislation.

Crime Prevention and Detection Model

During 2022 the Talgo Group has continued to consolidate the Crime Prevention Model as established in article 31 bis of the Penal Code reformed after the approval of the Organic Law 5/2010, of 22 June.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS RELATING TO THE FINANCIAL REPORTING PROCESS (SCIIF)

Describe the mechanisms that comprise the internal control and risk management systems relating to the process for financial reporting (SCIIF) by the entity.

F.1. The entity's control environment.

Specify at least the following components, indicating the main features in each case:

F.1.1 What bodies and / or functions are responsible for: (i) the existence and maintenance of an adequate and effective SCIIF; (ii) its implementation; and (iii) its supervision.

In accordance with the provisions of the Corporate Bylaws and the Regulations that develop them, the governing bodies are: (i) the Board of Directors; (ii) the Audit Committee; and (iii) the Internal Audit Department, which provides support to the Audit Committee.

Talgo's Board of Directors is the governing body responsible for the existence and maintenance of an appropriate and effective SCIIF. The Audit Committee, which assumes the powers delegated to it by the Board of Directors, is the body responsible for supervising the process for the preparation and presentation of the regulated financial information and the effectiveness of the Company's internal control systems, the internal audit services and the risk management systems, as well as for discussing any significant weaknesses detected in the internal control system with the auditor of the accounts or the audit firms during the performance of the audit.

The Audit Committee entrusts the supervision of the effectiveness of the Internal Control System for Financial Reporting (SCIIF) to the Internal Audit team, through its exercise of a unique and independent governance function, in line with the rules and standards of professional quality that contribute to good corporate governance and to ensuring that the financial information has been prepared reliably.

The Group management, and specially the Economic and Financial Department is the area responsible for the design, implementation and maintenance over time of an appropriate and effective system of internal controls over financial information.

F.1.2 The existence or otherwise of the following elements, especially in connection with the financial reporting process:

- The departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) defining clear lines of responsibility and authority, with an appropriate distribution of tasks and functions; and (iii) deploying sufficient procedures for its proper dissemination throughout the entity.

According to the provisions of the Board of Directors' Regulations, the Appointments and Remuneration Committee is responsible for analysing the process that enables the orderly succession of the Chairman and CEO, who the Board is responsible for appointing, and for reporting on the appointment and dismissal of the Directors that report directly to the CEO.

Meanwhile, the CEO, with the assistance of the Human Resources Director, in her capacity as an advisor to the CEO, is responsible for determining the organisational structure for the first line of reporting in the organisation (i.e. the managers that report directly into him).

In turn, these are the heads of each area, who are responsible for establishing changes in the organisational structure under

their immediate responsibility, subject to the authorisation of the Chief Executive Officer and the advice of the Human Resources Director.

The Compensation Department, which sits within the Human Resources Department, evaluates the classification and description of all of the jobs in the Group on a regular basis, with the aim of maintaining an appropriate segregation of duties, avoiding duplication of roles and improving coordination between the different departments, which results in the improved efficiency of the Talgo Group's operations. All employees can access the updated organisational chart through the Talgo Group's IT systems.

In terms of the scope of SCIIF, in the processes determined as critical for the preparation of financial information, the main tasks and controls to be performed are defined, along with the names of the people responsible for their execution and supervision, in such a way that the lines of responsibility and authority are clearly defined. In addition, for these processes, details are documented of the segregation of duties for tasks that are considered to be incompatible.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values covered (indicating whether there is any specific mention of record keeping and financial reporting), body responsible for analysing breaches and proposing corrective actions and sanctions.

The Talgo Group has a Code of Conduct approved by the Board of Directors, which incorporates the values ethics that are to govern all the activities that are carried out, which includes those principles and values that govern the financial responsibility for the registration of operations, financial preparation and compliance with the applicable regulations.

The control of the implementation of the code of conduct corresponds to the compliance unit, which operates to ensure compliance with this code.

This code has been disseminated throughout the Group and with on-line training. It is available on the Group's intranet, as well as on the website www.talgo.com

Talgo also has a whistleblowing channel managed by an external company that, in coordination with the members of the Compliance Department, analyses the possible infractions that have been communicated, suggesting if appropriate the application of the disciplinary regime applicable for that purpose. Talgo, S.A., as the parent company of the other entities, has approved a code of conduct for the management and control of confidential information, the transparent communication of significant information, the performance of operations involving own shares and the detection and treatment of conflicts of interest; it also imposes certain obligations, limitations and prohibitions on affected persons, and the managers of the own shares.

- Channel for whistleblowing that allows irregularities of a financial and accounting nature to be communicated to the Audit Committee, in addition to potential breaches of the code of conduct and irregular activities in the organisation, stating whether reports made through this channel are confidential and whether it is possible to make anonymous reports while respecting the rights of the reporter and reported party.

The Talgo Group has specific channels in place that employees may use to communicate any irregular circumstances that may affect the performance of their work.

Additionally, the management of the "Ethical Channel" or "Denunciation Channel" has been outsourced through an independent company specialized in this area, in order to provide it with greater independence for communication to the Compliance Unit about possible irregularities of potential transcendence. The sender of such a communication has the possibility to identify themselves or to communicate anonymously, the system guarantees the confidentiality and protection of their identity. The Audit Committee is responsible for supervising these channels and that body is informed about both the activity and the measures taken in this regard on a regular basis by the Internal Audit Department. In its exercise of this oversight role, the Internal Audit Department meets with the Human Resources department and the legal and employment teams, to the extent that it concludes that work needs to be performed within their respective areas of competence.

- Training programs and regular updating courses for staff involved in the preparation and review of financial information, as well as the assessment of SCIIF, which cover at least, accounting rules, audit standards, internal control and risk management.

The Talgo Group has a training budget at the corporate level and designs an annual training plan. Under this framework, the training needs are identified and activities are scheduled for each department, on the basis of the requirements of each job and its calendar.

A performance evaluation is conducted for every employee on an annual basis, to determine a development plan and individual training programme for each employee, which is integrated into the Global Training Plan.

Training is usually classroom based and is delivered by professionals from both inside and outside the group, in accordance with the requirements in each area to involve specialists, and it also uses IT resources, which are made available to the relevant people, so that they have access to the different courses and seminars.

In addition, update courses are provided by external specialists at least once a year, with the aim of ensuring affected employees are updated about any regulatory changes that may affect the preparation of the financial statements.

The members of the Economic-Financial department also have refresher meetings with the external auditors, tax advisors and internal auditors, to understand the main changes that have happened in the last year, covering areas such as accounting and financial reporting principles, audit guidelines and guidelines for the control and management of financial risks.

The key indicators about the training programs completed by the Economic-Financial department and other departments in the Group related to the systems of control over the Talgo Group's financial information that provide support to the different businesses in 2022 were as follows:

- Courses relating to the submission of financial statements in digital format (ESEF)
 - IFRS standard updates
 - Taxation changes
 - Courses related to new IFRSs (International Financial Reporting Standards) identified as standards with the most significant impact and changes in the short term.
 - Specific training in relation to the Internal Control over Financial Reporting System.
 - Specific training of the Crime Prevention and Detection Model.
 - Training in Spanish and international taxation. Main changes.
 - Training in management control.
 - IT training on all upgrades, new SAP modules and new tools that help improve the control of financial information (SAP GRC, Government, Risk and Compliance)
 - Tax legislation applicable to the Group
- The training programs are extended to those members of the organisation that may be affected by them in the performance of their tasks.

F.2. Evaluation of the risks associated with financial reporting.

Report, at least:

F.2.1 The main features of the process for identifying risks, including those relating to error or fraud, stating whether:

- A process exists and has been documented:

The identification of risks in the area of financial information is an on-going and documented process, carried out by the Economic and Financial Department, in collaboration with the Internal Audit Department under the framework of the analysis and risk management system, which establishes frequencies, methodologies, risk types and other basic guidelines. In this regard, the Group has received external advice from the auditors and advisors.

The Talgo Group has carried out an analysis of the risks of financial information that may affect the true and fair view of the information it publishes. To do so, based on the financial statements at the end of the year, those transactions and material transactions have been identified, determining the relevant processes on which periodic monitoring and supervision is to be carried out.

From the identification and analysis of the risks associated to the achievement of the objectives of the reflection of the faithful image of the Talgo Group's financial information, the implemented controls are identified as well as the additional controls to be implemented.

The identification of the risks of the financial information is carried out through an understanding of the type of transactions carried out in the organization, determining their complexity and the applicable regulations, the volume of the same, the quantitative importance of the affected items, the complexity of the calculations, the need to use estimates and projections, the application of judgements and the unusual operations performed during the period under review.

- The process covers all of the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, disclosure and comparability; and rights and obligations), whether it is updated and how often.

Each year, analysis is performed to identify the areas and processes, as well as the companies and locations in which significant transactions are generated. This analysis includes a review of the routine processes involved in the generation of financial information. During the year, the risk areas identified are monitored and updated, taking into account any new significant events that happened during the period.

The process covers all of the financial reporting objectives, as follows:

1. Specification of the objectives of the financial reporting controls by those involved in the process to generate the financial information. These objectives cover the full range of financial reporting objectives:
 - Existence and Occurrence: Registered transactions that are not valid, because they do not correspond to the exercise or due to lack of authorisation (of the client, of the responsible with powers etc.).
 - Integrity: Operations and balances that must be registered are not.
 - Cutting of operations: Transactions recorded in different accrual periods.
 - Registration: Operations registered with errors in the data imputation (amounts, etc.).
 - Valuation: Transactions (assets, liabilities, expenses, income and commitments) recorded in which the amounts are not correct because the valuation has not been adequate.
 - Presentation, breakdown and comparability: Incorrect classifications and breakdowns in the different lines of the financial statements as well as in the accompanying explanatory notes.
 - Rights and obligations: Transactions involving the recording of the appropriate provisions derived from the operation itself.

2. In addition, the Talgo Group's Internal Control System focuses on the following objectives, in addition to the objective of obtaining reliable financial information:
 - Efficiency in operations: seeking to carry out operations using the necessary resources, but with the appropriate efficiency.
 - Compliance: Avoiding non-compliance with applicable regulations and / or obligations acquired with third parties due to normal operations and that may give rise to claims and therefore possible losses for the company.
 - Asset safeguard: It is related to assets acquired or liabilities incurred (or cancelled) that have not been authorised in the corresponding level.
3. Explicit assessment of the probability of an error with material impact caused by fraud. To do so, the following guidelines are taken into account, making revisions mainly of:
 - Agreements signed with third parties (suppliers, customers, etc.)
 - Persons authorised to sign agreements, contracts, etc.
 - The people who hold the powers in the organization
 - Valuations that are made based on judgements and / or estimates and have a significant impact on the generation of financial information.
 - Non-recurring transactions and transactions.
 - Review according to the Annual Internal Audit Plan established in the supervision process, the reliability and integrity of the IT systems that respond to the generation of financial information.
 - Continuous review of the best practices of the sector and the situation in the associations to which the Group is associated because of its relation with the evolution of the sector, etc.
4. Additionally, the possibility of risk of error is considered in certain processes not linked to specific transaction classes, but especially relevant in view of their importance in the preparation of the reported information, such as the trial review process and significant accounting policies or the closing and consolidation process. In this regard, and in order to cover the risks of these processes, the Group has appropriate control activities.
5. Conduct a periodic review of existing controls with those responsible for the generation of financial information in order to identify variations with respect to the previous period.
6. Periodic review of the control activities in each of the organization's processes that result in the financial information, establishing the recommendations detected, if necessary, for their implementation, as well as establishing those controls that are considered necessary.

- The existence of a process to identify the consolidation perimeter, taking into account, inter alia, the possible existence of complex corporate structures or special purpose entities or vehicles.

The Talgo Group has a process in place for identifying the consolidation perimeter, which is performed by the consolidation team that forms part of the Economic and Financial Department in collaboration with the Department for Oversight of Subsidiaries, and this information is identified and updated at each monthly close.

- a) The entry of new companies into the Talgo Group both due to shareholder control as well as those resulting from other types of effective control, for which an informative procedure is established for all of the agreements/contracts signed by the existing powers of attorney, relating to the taking over and loss of control of companies.
- b) Removal of Talgo Group companies.
- c) Changes or amendments to the shareholding stakes or the voting rights (both directly and indirectly, due to both shareholder control, as well as those resulting from other types of effective control), for which an informative procedure is established for all the agreements and contracts signed by the existing powers of attorney, in relation to the acquisition/sale of shares and stakes in other companies.

- The process takes into account the effects of other types of risks (operational, technological, financial, legal, tax, reputational, environmental, etc.) insofar as they impact the financial statements.

The process takes into account all of the identifiable risks (operational, technological, financial, legal, reputation, environmental, etc.) to the extent that they affect the financial statements.

- Which of the Company's governing bodies is responsible for supervising the process:

The Audit Committee, through the Internal Audit Department, is the body responsible for overseeing the process for the preparation and presentation of the regulated financial information, which includes the process for the identification of risks.

F.3. Control activities.

State whether the Company has the following components in place and indicate the main features in each case:

F.3.1 Procedures for reviewing and authorising the financial information and SCIIF description, to be disclosed to the securities markets, stating who is responsible in each case, as well as documentation describing the flows of activities and controls (including those relating to fraud risk) for the different types of transactions that may materially affect the financial statements, including the procedure for the accounting close and the specific review of significant judgements, estimates, valuations and projections.

The Talgo Group has descriptive documentation in place about the main processes which indicate the main flow of activities and the names of the people responsible for performing the various control activities. All this is documented through the SAP GRC software.

The main processes for generating financial information that affect the financial statements in a material way have been fully documented by the Group. The processes for generating financial information covered by this documentation include the following:

- Consolidation and Reporting
- Human Resources Management
- Recognition of Revenues and Expenses
- Billing and Clients
- Procurement (materials and services)
- Investments
- Taxes
- Treasury
- Costs Monitoring

For each one of these processes, the risks of error that may affect the reliability of the financial information have been identified (including the risks of errors in the significant judgements, estimates, valuations and projections) and the control activities performed to mitigate those risks. The person responsible for executing and supervising each control activity has been identified, along with the frequency of their performance and the evidence required to demonstrate the execution of the control activity. The update of this system is continuous and adapts according to the identified risks.

In relation to the review of significant judgements and estimates, the Talgo Group discloses in its annual accounts, in one of the notes to the financial statements, the most significant areas in which there are significant accounting estimates and judgements, as well as the key assumptions made with respect thereto. In this sense, the main estimates made refer to:

- Estimated loss of goodwill
- Investments in investees
- Taxes on income and tax assets and liabilities
- Recognition of income using the percentage of realisation method
- Useful lives of property, plant and equipment and intangible assets
- Provisions

The procedures for reviewing and authorising the financial information of the Talgo Group that is published in the markets are initiated by its review by the Economic and Financial Management of each company, in the Consolidation Area, with the corresponding controls being established by the Economic and Financial Division of the Talgo Group. This process is controlled and supervised by the Internal Audit Department of the Talgo Group as part of its functions.

The individual and consolidated annual accounts and the quarterly financial reports are reviewed by the Audit Committee, as a preliminary step to their formulation by the Board of Directors, as established in the Regulations of the latter. In accordance with the provisions of the Board of Directors' Regulations, the Audit Committee proceeds to read and review the information, as well as its discussion, with the Internal Audit Department and with the External Auditors (in the case of annual accounts), as a preliminary step to forwarding it to the Board of Directors. Once the Audit Committee has reviewed this information and gives its agreement and observations to be incorporated, the annual accounts are signed by the Board of Directors.

In relation to the quarterly information, the Audit Committee reviews the critical financial information (financial information, changes in results, details on the main areas, changes in cash flows, etc.) prior to the forwarding of this information to the Board of Directors and later to the Market.

F.3.2 Internal control policies and procedures over the IT systems (including, amongst others, access security, change logs, system operation, operational continuity and segregation of duties) that support the entity's significant processes regarding the preparation and publication of financial information.

The Talgo Group has an IT Systems department, which maintains a proper register and control of transactions and therefore, is dependent on its proper operation. There is also a Cybersecurity department within the aforementioned department.

As part of the process for identifying the risks of error in the financial information, the team identifies which systems and applications are relevant for every one of the areas and processes that are considered to be significant. The systems and applications identified include, both those that are used directly for the preparation of financial information, as well as those that are significant for the effectiveness of the controls that mitigate the risk of errors in that information.

A methodological framework is defined in the design and implementation of the applications, which establishes the different points of control for ensuring that the solution obtained fulfils the requirements requested by the user and that the quality level fulfils the required standards of reliability, efficiency and maintainability.

The Information Systems and Cybersecurity area has established policies aimed at covering security in terms of access, by means of the access and function segregation matrix with the definition of roles and resources, and the continuity of its operation, defining a matrix of general controls structured in the following areas:

- Operations and safeguards for existing data, affecting the custody of it in external locations.
- Business continuity: The Talgo Group has developed appropriate systems involving access restrictions, protection plans, recovery, etc. in order to safeguard its operations.
- Security: The Talgo Group has established a Security Policy which is reviewed and updated on a regular basis, to ensure the absence of incompatibilities (matrix for the segregation of duties), and to define user profiles and adapt the access permitted by them.
- Change management: The process for all systems has been formalized (acquisition, development, amendments and maintenance, indicating the people responsible, approvals, evidence, etc.).

The Group's Cybersecurity area controls possible cyber-attacks and inappropriate access to the Group's information, safeguarding it.

The Talgo Group receives advice and support from independent external professionals who are experts in this field to ensure the suitability of the processes and controls implemented. In particular, during the year the new version of its ERP (Enterprises Resources Process) was updated to ensure, among other things, the safeguarding of information, data integrity, as well as greater efficiency in the daily operation of the Talgo Group.

Likewise, the Group is in the process of implementing the GRC module of its IT tool to ensure its excellence in matters of Corporate Governance, Risk Management and Regulatory Compliance.

F.3.3 Internal control policies and procedures for overseeing the management of activities outsourced to third parties, as well as those aspects involving appraisals, calculations and valuations entrusted to independent experts, when they may materially affect the financial statements.

The Talgo Group regularly reviews which activities carried out by third parties are relevant for the process for the preparation of financial information or that may indirectly affect its reliability.

Occasionally, valuations have been required from independent experts (valuation of assets and liabilities). In those cases, the departments responsible for the areas involved execute the controls and supervise their compliance with respect to the work of these experts, in order to verify their competence, training, accreditation and independence, as well as the validity of the data and methods used and the reasonableness of the hypotheses employed. In these cases, the company's policy is to use independent firms with prestigious reputations.

In this context, when the Group intends to rely on the work of an independent expert (understood as those third parties who issue advice or opinions about specialist subjects and who have adequate and accredited training and experience in the required field) that may affect the financial information in a significant way, the following aspects should be evaluated:

- Adequate professional competence and approval by the corresponding professional body (when so required by a relevant legal standard).
- The relationships or ties held by the external professional with the organisation for the purposes of assessing their independence. Additionally, the results obtained by the third party are evaluated as well as the data used for their evaluation.

F.4. Information and communication.

State whether the Company has the following components in place and indicate the main features in each case:

F.4.1 A specific function responsible for defining and updating the accounting policies (an accounting policies team or department) and for resolving queries or conflicts resulting from their interpretation, maintaining regular communication with the managers responsible for the operations in the organisation, as well as an updated accounting policy manual that has been sent to all of the units through which the entity operates.

The Talgo Group's Economic-Financial Department is responsible for preparing the consolidated financial statements as well as the parent company's financial statements. Its responsibilities include the resolution of accounting questions for the other companies of the Talgo Group, with which a direct and open relationship is maintained through the controllers and financial managers assigned to each subsidiary. The Economic and Financial Department is in charge of identifying, defining and communicating the accounting policies that affect the Talgo Group, and all of this is included in the Manual of Accounting and Financial Procedures and Policies, which is updated regularly and is available on the Group's internal network to which the relevant departments have access.

In addition, the Talgo Group has a set of documents that are adapted to the needs, requirements and size of the Group, in which the rules for the preparation of financial information are determined and explained and how these standards should be applied to the operations of the entity called the Information Package. These documents not only explicitly refer to the rules that apply to each type of transaction, but also to develop and explain the interpretation of the same to fit exactly each type of transaction. These documents are updated periodically and at least annually, and incorporate the applicable rules for the corresponding exercise. The significant modifications made are communicated to the dependent companies to which they are applicable via e-mail, videoconference or from the holding of specific meetings with those responsible for them.

F.4.2 Mechanisms for collating and preparing financial information in standard formats that may be applied and used by all of the units in the entity or group, which support the main financial statements and accompanying notes, as well as disclosures concerning SCIIF.

On an annual basis, a schedule with the information needs for the preparation of the financial information of the following year is established, containing all the documents, responsible for them and dates of delivery of the documentation. This information report is made through the Financial Information Packages prepared by the Economic and Financial Department. These packages include the information necessary for the subsidiaries to report to the parent company in preparation for the Consolidated Financial Statements as well as the information to be included in the accompanying notes.

The process of consolidation and preparation of financial information is carried out centrally in the subsidiary Patentes Talgo, and there is a detailed consolidation process that shows all existing sub-processes, personnel involved, locations, supporting documentation used and frequency of activities and controls carried out, among others. This process uses the financial statements reported by the Talgo Group's subsidiaries and branches in the established formats, as well as the other financial information required both for the accounting standardisation process and to cover the established information needs.

The Talgo Group has a series of controls implemented in the financial information packages as well as adequate blocks that allow to assure the reliability and correct treatment of the information received from the different subsidiaries. It is worth noting the centralised performance of the various consolidation entries, analysis of changes in all equity items and results, changes in results obtained over previous periods and on approved budgets, analysis of the evolution of events and most relevant variables.

F.5. Supervision of the operation of the system.

State indicating the main features of at least:

F.5.1 SCIIF monitoring activities undertaken by the Audit Committee, as well as whether the entity has an internal audit function whose competencies include providing support to the committee in its oversight of the internal control system, including SCIIF. Also, report about the scope of the SCIIF assessment conducted during the year and the procedure by which the person responsible for carrying out the assessment communicated his results, whether the entity has an action plan that details the potential corrective measures, and whether its impact on the financial information has been considered.

The Head of the Internal Audit must present his work plan for the following year to the Audit Committee at least once a year. The plan shall include the tasks that will be performed to properly assess the SCIIF. The content of the annual work plan is reviewed and updated on an on-going basis for its subsequent approval by the Audit Committee.

On the basis of this plan, the Head of the Internal Audit must report his assessment of the SCIIF to the Audit Committee, summarising his most important findings, as well as the action plans proposed to address them. This report may be delivered in person, by attending the Audit Committee meetings or by means of reports sent to the Committee. In 2022, the Annual Work Plan presented and subsequently carried out by the Internal Audit team included the following aspects in relation to the SCIIF:

- Analysis of the annual plan of the company and identification of the main risks on the financial information.
- Audit of the relevant fiscal elements for the Group.
- Review of the financial information sent to the CNMV on a quarterly basis, together with a review of the correct execution of the main control activities of the accounting, consolidation and information processes and of the principal judgements and estimates.
- Supervision of the process of formalization and documentation of all existing control activities in the main business cycles of the Talgo Group. This documentation complies with the criteria established in the recommendations made by the CNMV in its guide for the preparation of the description of the internal control system on financial information, and the Internal Control System for Financial Reporting is in place and in operation.
- Supervision of advice by technological experts in relation to the following areas within the management of the Company's information systems: governance of information systems, information, operations and network security and change implementation and application development, including GDPR, taking into account all the recommendations detected and implementing a plan of action and improvement in the short term.
- Audit of the financial information generation processes and the main subsidiaries, according to a rotation plan.
- Supervision of subsidiaries.
- Review of the critical processes of the Group focusing in the following areas: Procurement, HR, Capex, Logistics and Sales.
- Monitoring the status of proposed action plans in the face of weaknesses detected.
- Monitoring and supervision of the Group's sustainability and social responsibility report.
- Presentation of the results of the work carried out to the Audit Committee and to the Board of Directors in those cases in which it is deemed necessary by the Audit Committee.

F.5.2 Whether a procedure is in place for discussion whereby the auditor of the accounts (in accordance with the provisions of TAS), the internal audit function and other experts may inform senior management and the Audit Committee or the Directors of the entity about significant internal control weaknesses identified during the annual accounts review process or any others entrusted to them. Also, report whether the entity has an action plan to try to correct or mitigate the weaknesses observed.

The Audit Committee meets regularly and prior to the issue of financial information to the markets. During the 2022 financial year, meetings of the Audit Committee were held at which the Internal Audit management reported on the results of the work carried out and the existing action plans for corrective measures.

Additionally, in the framework of the external audit, it meets with the external auditors to present the conclusions of their audit work (which include significant aspects detected in the scope of internal control). The Committee met 6 times in the 2022 financial year, all meetings were attended by the external auditors, who provided information on regulatory developments, progress and the results of the external audit.

Meanwhile, the auditor of the Talgo Group's accounts has direct access to the highest level of the Group, through regular meetings both to obtain the information it requires to perform its work, as well as to report the weaknesses identified in its controls.



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The Talgo Group has a multi-annual and an annual Internal Control Audit Plan which, among other things, establishes the necessary procedure for the implementation of the corrective measures required following the development of the different tasks of supervision and review of the controls established in the Group's main processes. There is also a process in place for the supervision of the SCIIF defined by the Audit Committee, which includes aspects related to the general criteria to be applied with regard to specific SCIIF supervision activities. The corresponding reports presenting the situation following the performance of the tasks entrusted are assessed by the members of the Audit Committee, together with the weaknesses identified in the aforementioned work. The Committee is also responsible for approving the proposed action plan to remedy the aforementioned control weaknesses.

F.6. Other relevant information.

No other relevant information exists regarding the SCIIF that has not already been included in this report.

F.7. External auditor's report.

Report whether:

F.7.1 The SCIIF information provided to the markets has been subject to review by the external auditor, in which case, the entity should attach the corresponding report as an annex. If not, it should report the reasons why.

The Group did not subject the information about the "Internal Control System for Financial Reporting" for review by the external auditor in 2022.

This Annual Corporate Governance Report has been prepared in accordance with the contents and structure of the model established in the governing legislation by the CNMV (National Securities Market Commission).

Although this information is not subject to review for the issue of a report by the auditor, it has been made available to the external auditors so that they are aware of it and can verify it in the context of their audit of the accounts.

The Directors of the Group are aware of the recommendations, guidelines and references established for the completion of this information, and have applied them in their entirety. The information about the "Internal Control System for Financial Reporting" contained in the Annual Corporate Governance Report, in accordance with the scope of the procedures and report templates that the I.C.A.C. and the respective corporations that represent auditors established, where applicable.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the Company's degree of compliance with the recommendations stipulated in the Good Governance Code for listed companies.

In the event that any recommendation is not followed or is only partially followed, a detailed explanation should be provided of the reasons so that the shareholders, investors and the market in general, have sufficient information to assess the conduct of the Company. Explanations of a general nature are not acceptable.

1. The bylaws of listed companies should not place an upper limit on the number of votes that may be cast by a single shareholder, nor should they contain any other restrictions that hinder the takeover of the Company by means of share purchases in the market.

Complies Explain

2. When the listed company is controlled, within the meaning of article 42 of the Commercial Code, by another entity, whether listed or not, and has, directly or through its subsidiaries, business relations with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to those of any of them, it should publicly disclose precisely the following:

- a) The respective areas of activity and any business relationships between the listed company or its subsidiaries, on the one hand, and the parent company or its subsidiaries, on the other.

- b) The mechanisms in place for resolving any potential conflicts of interest that may arise.

Complies Partially complies Explain Not applicable

3. During an ordinary General Shareholders' Meeting, in addition to distributing the written Annual Corporate Governance Report, the Chairman of the Board of Directors should verbally inform the shareholders about the most relevant corporate governance considerations for the Company, in sufficient detail, and, in particular, he should provide information about:

- a) Any changes that have happened since the previous ordinary General Shareholders' Meeting.

- b) The specific reasons why the company does not follow any of the recommendations of the Corporate Governance Code and, if they exist, the alternative rules it applies in this area.

Complies Partially meets Explain

4. The company should define and promote a policy regarding communication and contacts with shareholders and institutional investors in the context of their involvement in the company, as well as with proxy advisors, which fully respects the rules against market abuse and treats shareholders in the same position on an equal footing. And the Company should publish this policy on its website, including information about the way in which the policy has been put into practice and identifying the contact people or managers responsible for carrying it out.

And, without prejudice to the legal obligations to disclose inside information and other types of regulated information, the company should also have a general policy regarding the communication of economic-financial, non-financial and corporate information through the channels it deems appropriate (media, social networks or other channels) that contributes to maximising the dissemination and quality of the information available to the market, investors and other stakeholders.

Complies [X] Partially complies [] Explain []

In line with the Internal Code of Conduct in the securities market, as well as the recommendations of the CNMV, ESMA and good governance practices, the company complies with clear protocols for communication and dissemination of privileged and relevant information, including, among others, regulated information, economic-financial, non-financial and corporate information, both through the relevant channels with the CNMV and through a specific website:

<https://www.talgo.com/es/web/investors>

5. The Board of Directors should not present any proposals to the General Shareholders' Meeting for the delegation of powers, to issue shares or convertible securities excluding the right to preferential subscription, for an amount exceeding 20% of the capital at the time of delegation.

And when the Board of Directors approves the issue of any shares or convertible securities excluding the right to preferential subscription, the Company should immediately publish reports about this exclusion on its website, as referred to by commercial legislation.

Complies [X] Partially meets [] Explain []

6. The listed companies that prepare the reports cited below, be they mandatory or voluntary, must publish them on their website sufficiently in advance of the date of the ordinary General Shareholders' Meeting, even though their distribution is not mandatory:

- a) Report about the independence of the auditor.
- b) Reports about the operation of the Audit Committee and the Appointments and Remuneration Committee.
- c) Report from the Audit Committee about related party transactions.

Complies [] Partially complies [X] Explain []

The company prepares all of the above-mentioned reports, although only those that are required for the General Shareholders' Meeting are published.

7. The Company should stream the General Shareholders' Meetings live on its website.

The Company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large cap companies and to the extent proportionate, attendance and active participation in the General Shareholders' Meeting.

Complies Partially complies Explain

Since 2021, the Company has provided the possibility to participate both online and in person. The means were also provided to participate in the meeting by asking questions channelled through the established shareholder office.

The Company publishes all information regarding the final quorum, the composition of the General Shareholders' Meeting, and the results of voting on resolutions immediately after the General Shareholders' Meeting has been held.

8. The Audit Committee should ensure that the annual accounts that the Board of Directors submits to the General Shareholders' Meeting are prepared in accordance with accounting regulations. In those cases in which the auditor has included a qualification in its audit report, the Chairman of the Audit Committee should clearly explain the Audit Committee's opinion on its content and scope at the general meeting, making it available to the shareholders at the time of publication of the notice of the meeting, together with the rest of the proposals and reports of the board, a summary of such opinion.

Complies Partially complies Explain

9. The Company should permanently publish on its website the requirements and procedures that it accepts for proving the ownership of shares, the right to attend the General Shareholders' Meeting and the exercise or delegation of the right to vote.

And those requirements and procedures should favour the shareholders' attendance and exercise of their rights and be applied in a non-discriminatory manner.

Complies Partially meets Explain

10. When a legitimate shareholder has exercised his right to add an item to the meeting agenda or to present new agreement proposals, prior to the date on which the General Shareholders' Meeting is held, the Company:
- a) Should immediately communicate those complementary points and new proposed agreements.
 - b) Make public the model attendance card or proxy or remote voting form with the amendments required to enable new items on the agenda and alternative proposals for resolutions to be voted on in the same terms as those proposed by the board of directors.
 - c) Put all such items or alternative proposals to the vote and apply the same voting rules to them as to those put forward by the board of directors, including, in particular, presumptions or deductions as to the direction of the vote.
 - d) After the General Shareholders' Meeting, communicate the breakdown of the vote on such additional items or alternative proposals.

Complies Partially complies Explain Not applicable

11. In the event that the Company intends to pay attendance premiums for the General Shareholders' Meeting, establish, in advance, a general policy for such premiums and that policy should be stable.

Complies Partially complies Explain Not applicable

12. The Board of Directors should perform its duties with unity of purpose and independence of judgement, affording the same treatment to all shareholders who find themselves in the same position. It should also be guided by the corporate interest, understood as the achievement of a profitable and sustainable business over the long-term, which promotes continuity and maximises the Company's economic value.

And in pursuit of the corporate interest, as well as with respect for the laws and regulations and a behaviour based on good faith, the ethics and the respect for the uses and the commonly accepted good practices, it should try to reconcile its own corporate interest with, as appropriate, the legitimate interest of its employees, its suppliers, its clients and the other stakeholder groups that may be affected, as well as the impact of the Company's activity on the community as a whole and on the environment.

Complies Partially complies Explain

13. The Board of Directors should have the necessary size for its effective and participatory operation, which means that it is advisable for it to comprise between five and fifteen members.

Complies Explain

14. The Board of Directors should approve a policy aimed at favouring an appropriate composition of the Board of Directors and that:
- a) Is specific and verifiable.
 - b) Ensures that proposals for appointment or re-appointment are based on a prior analysis of the powers required by the board of directors; and encourages diversity of knowledge, experience, age and gender.
 - c) For these purposes, measures that encourage the company to have a significant number of female senior managers are considered to be conducive to gender diversity.

The results of the prior analysis of the needs of the Board of Directors should be collated in a justification report by the Appointments Committee, which should be published when the General Shareholders' Meeting is convened for the ratification, appointment or re-election of each Director.

Compliance with this policy shall be verified annually by the Appointments Committee and reported in the Annual Corporate Governance Report.

Complies Partially meets Explain

15. The Proprietary and Independent Directors should constitute a large majority of the Board of Directors and the number of Executive Directors should be the minimum necessary, taking into account the complexity of the company group and the percentage shareholdings held by the Executive Directors in the Company's share capital.

The number of female directors should account for at least 40% of the members of the Board of Directors before the end of 2022 and thereafter, and not be less than 30% prior to that date.

Complies Partially complies Explain

The Appointments and Remuneration Committee is mandated by the Board of Directors to select female directors to fill vacancies that may arise within the Board.

In this regard, in 2020 the Company co-opted a new independent female director to the Board of Directors of Talgo.

16. The percentage of Proprietary Directors over the total number of Non-Executive Directors should not be greater than the proportion of the share capital held by those Directors, over the total share capital balance.

These criteria may be relaxed:

- a) In large cap companies in which there are few shareholdings that are legally considered significant.
- b) In the case of companies in which there is a plurality of shareholders represented in the Board of Directors and have no ties with each other.

Complies Explain

17. The number of Independent Directors should represent, at least, half of the total number of Directors.

Nevertheless, when the Company does not have a high level of capitalisation or even if it does, when one or several shareholders, who control more than 30% of the share capital, are acting together, then the number of Independent Directors should represent, at least, one third of the total number of Directors.

Complies Explain

18. The companies should publish and update the following information about their Directors on their website:

a) Professional and biographical profile.

b) Other boards of directors to which they belong, whether or not they are listed companies, as well as other remunerated activities of any kind.

c) Indication of the category of director to which they belong, stating, in the case of proprietary directors, the shareholder they represent or with whom they have ties.

d) Date of their first appointment as a Director of the Company, as well as the dates of any subsequent re-elections.

e) Any shares that they own in the Company, and options they hold over them.

Complies Partially complies Explain

19. In the Annual Corporate Governance Report, following verification by the Appointments Committee, reasons should be provided to explain why Proprietary Directors have been appointed at the request of shareholders whose shareholdings represent less than 3% of the total share capital; and reasons should be provided to explain why formal requests to participate in the Board have been denied for shareholders whose shareholdings are the same size or larger than those held by others who have been appointed as Proprietary Directors upon request.

Complies Partially complies Explain Not applicable

20. Proprietary Directors should submit their resignation when the shareholder that they represent sells its entire shareholding. And they should also resign when the shareholder that they represent reduces its shareholding to a level that requires a reduction in the number of Proprietary Directors, to the extent required.

Complies Partially complies Explain Not applicable

21. The Board of Directors should not propose the removal of any Independent Director before he has completed his statutory term in office, except when just cause requires it, as assessed by the Board of Directors based on a report from the Appointments Committee. In particular, just cause shall be understood to exist when: The Director takes over new roles or enters into new obligations that prevent him from devoting the necessary time to the performance of the duties inherent to the role of Director; when he breaches the duties inherent to his role; or when circumstances arise that cause him to lose his independent status, in accordance with the provisions of applicable law.

The removal of Independent Directors may also be proposed as a result of a takeover bid, merger or other similar corporate transaction that involves a change in the share capital of the Company, when such changes in the structure of the Board of Directors are promoted by the criteria of proportionality indicated in recommendation 16.

Complies Explain

22. Companies should establish rules forcing Directors to report and, where appropriate, resign when situations arise that affect them, whether or not related to their performance in the Company, that could damage the credit and reputation of the Company and, in particular, obliging them to inform the Board of any criminal proceedings in which they are under investigation, as well as the progress of the proceedings.

Having been informed or having otherwise become aware of any of the situations mentioned in the preceding paragraph, the Board should examine the case as soon as possible and, in view of the specific circumstances, decide, following a report from the Appointments and Remuneration Committee, whether or not to adopt any measure, such as opening an internal investigation, requesting the resignation of the director or proposing his/her removal. It should report thereon in the Annual Corporate Governance Report, unless there are special circumstances that justify it, which must be recorded in the minutes. This without prejudice to the information that the Company must disseminate, if appropriate, at the time the corresponding measures are adopted.

Complies Partially complies Explain

23. All of the Directors should clearly express their opposition when they consider that a proposed resolution submitted to the Board may be contrary to the corporate interest of the Company. And this should apply, in particular, to the Independent Directors, as well as to any other Directors not affected by the potential conflict of interest, in cases of decisions that may harm the shareholders not represented on the Board.

And when the Board adopts significant or repeated decisions about which the Director has expressed serious reservations, he should draw the appropriate conclusions and, resign if he so chooses, explaining the reasons in a letter that makes reference to the following recommendation.

This recommendation also applies to the Secretary of the Board, even if he is not a Director.

Complies Partially complies Explain Not applicable

24. When, either by resignation or by resolution of the General Meeting, a Director leaves office before the end of his/her term of office, he/she should sufficiently explain the reasons for his/her resignation or, in the case of Non-Executive Directors, his/her opinion on the reasons for removal by the Board, in a letter sent to all members of the Board of Directors.

Notwithstanding the fact that all of the above is reported in the Annual Corporate Governance Report, to the extent that it is relevant for investors, the Company should publish the resignation as soon as possible, including sufficient reference to the reasons or circumstances provided by the director.

Complies Partially complies Explain Not applicable

25. The Appointments Committee should ensure that the Non-Executive Directors have sufficient time available to properly carry out their functions.

And the Regulations of the Board should establish the maximum number of company boards on which its Directors may sit.

Complies Partially complies Explain

26. The Board should meet with the necessary frequency to properly perform its functions and, at least, eight times a year, in accordance with the calendar of dates and agendas established at the beginning of the year, to which each Director may propose the addition of other items, not initially considered.

Complies Partially complies Explain

27. Director absences should be kept to a bare minimum and quantified in the Annual Corporate Governance Report. And when Directors have no choice but to delegate their vote, they should do so with instructions.

Complies Partially complies Explain

28. When the Directors or the Secretary express concerns about a proposal or, in the case of the Directors, about the Company's performance and those concerns are not resolved at the Board meeting, then the person expressing them can request that they be recorded in the meeting minutes.

Complies Partially complies Explain Not applicable

29. The Company should establish appropriate channels for the Directors to be able to obtain the advice they need to carry out their duties, including, when the circumstances so require it, external advice at the expense of the Company.

Complies Partially complies Explain

30. Independently of the knowledge that the Directors need to perform their duties, the Companies should also provide the Directors with training programs to update their knowledge when the circumstances so require it.

Complies Explain Not applicable

31. Meeting agendas should clearly state the points regarding which the Board should adopt a decision or agreement, so that the Directors can study or request the necessary information for such adoption, in advance of the meeting.

When, on an exceptional basis, for reasons of urgency, the Chairman wants to submit to the Board, decisions or agreements that do not appear on the agenda, then the prior and express consent of a majority of the Directors in attendance shall be required, and that event should be duly noted in the meeting minutes.

Complies Partially complies Explain

32. The Directors should be periodically informed about movements in shareholdings and about the opinions that the significant shareholders, investors and ratings agencies have about the Company and the group.

Complies Partially complies Explain

33. The Chairman, as the person responsible for the effective operation of the Board, in addition to exercising the functions that are legally and statutorily attributed to him, should prepare and submit to the Board: a calendar of dates and matters to discuss; organise and coordinate the periodic evaluation of the Board, as well as, where applicable the CEO of the Company; be responsible for the leadership of the Board and for the effectiveness of its operation; ensure that sufficient discussion time is dedicated to strategic questions; and adopt and review the programs for updating the knowledge of each Director, when the circumstances so require it.

Complies Partially complies Explain

34. When there is a coordinating Director, the bylaws and Regulations of the Board should attribute him with the following powers, in addition those powers that correspond to him legally: to chair the Board in the absence of the Chairman and the Vice- Chairman, where applicable; to echo the concerns of the Non-Executive Directors; to maintain contact with investors and shareholders to understand their points of view for the purposes of forming an opinion about their concerns and, in particular, regarding the corporate governance of the Company; and to coordinate the succession planning for the Chairman.

Complies Partially complies Explain Not applicable

35. The Secretary of the Board should act in a special way to ensure that the Board is mindful in its actions and decisions of the recommendations regarding good governance contained in this Good Governance Code, where applicable to the Company.

Complies Explain

36. The Board plenary should evaluate, at least once a year, and adopt an action plan, where applicable, to correct deficiencies identified regarding:
- The quality and efficiency of the operation of the Board.
 - The operation and composition of its committees.
 - Diversity in terms of the composition and competencies of the Board.
 - The performance of the Chairman of the Board and the CEO of the Company.
 - The performance and contribution made by each Director, paying special attention to those Directors who are responsible for the various Board committees.

In order to carry out the evaluation of the different committees, the Board will begin with the reports that those committees submit to it, and for the evaluation of the Board itself, it shall depend on the report submitted to it by the Appointments Committee.

Every three years, the Board will be assisted in the performance of its evaluation by an external consultant, whose independence shall be verified by the Appointments Committee.

The business relationships that the consultant or any company in the group has with the Company, or any company in the group, should be disclosed in the Annual Corporate Governance Report.

The process and areas evaluated shall be described in more detail in the Annual Corporate Governance Report.

Complies Partially complies Explain

37. When there is an Executive Committee, at least two Non-Executive Directors should sit on it, at least one of whom should be Independent; and its Secretary should be the Secretary of the Board of Directors.

Complies Partially complies Explain Not applicable

38. The Board should always be aware of the matters discussed and the decisions adopted by the Executive Committee, and all of the members of the Board should receive copies of the minutes of the meetings of the Executive Committee.

Complies Partially complies Explain Not applicable

39. The members of the Audit Committee as a whole, and in particular its Chairman, are appointed taking into account their knowledge and experience in accounting, auditing and risk management, both financial and non-financial.

Complies Partially complies Explain



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40. The Company should have a unit that assumes the functions of internal audit, under the supervision of the Audit Committee, to ensure the proper functioning of the information and internal control systems. Such a unit should functionally report to the non-executive Chairman of the Board or to the Audit Committee.

Complies [X]

Partially meets []

Explain []

41. The head of the unit in charge of the internal audit function should present its Annual Work Plan to the Audit Committee for approval by the Committee or the Board, report directly to it on its execution, including any incidents and limitations to the scope that may arise in its development, the results and follow-up of its recommendations, and submit an Activities Report at the end of each year.

Complies [X]

Partially meets []

Explain []

Not applicable []

42. In addition to the functions established by law, the following functions correspond to the Audit Committee:

1. In relation with the information and control systems:
 - a) Supervise and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks relating to the Company and, if applicable, to the Group—including operational, technological, legal, social, environmental, political and reputational or corruption-related risks—reviewing the compliance with regulatory requirements, the adequate delimitation of the consolidation perimeter and the correct application of accounting criteria.
 - b) Ensure the independence of the unit that assumes the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the budget for that service; approve or propose approval to the Board of the orientation and Annual Work Plan of internal audit, ensuring that its activity is focused primarily on relevant risks (including reputational risks); receive periodic information on its activities; and verify that senior management takes into account the conclusions and recommendations of its reports.
 - c) Establish and supervise a mechanism that allows employees and other persons related to the Company, such as Directors, shareholders, suppliers, contractors or subcontractors, to communicate irregularities of potential transcendence, including financial and accounting irregularities, or of any other nature, related to the Company that they notice within the Company or its Group. This mechanism must guarantee confidentiality and, in any case, provide for cases in which communications can be made anonymously, respecting the rights of both the whistleblower and the person reported.
 - d) To ensure in general that the policies and systems established in the area of internal control are effectively applied in practice.
2. In terms of the external auditor:
 - a) In the event that the external auditor resigns, examine the circumstances that have given rise to his resignation.
 - b) Ensure that the remuneration received by the external auditor for his work does not compromise his quality or his independence.
 - c) Supervise the Company to notify the CNMV of the change of auditor and accompanies it with a statement on the possible existence of disagreements with the outgoing auditor and, if any, their content.
 - d) Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform them about the work performed and about the evolution of the accounting environment and the risks facing the Company.
 - e) Ensure that the Company and the external auditor adhere to governing legislation regarding the provision of services other than those of an audit nature, the limits in terms of the concentration of the auditor's business and, in general, the other rules relating to the independence of auditors.

Complies [X]

Partially complies []

Explain []

43. The Audit Committee should be able to call upon any employee or manager of the Company, and even request that they appear without the presence of any other executive.

Complies Partially complies Explain

44. The Audit Committee should be informed about operations of a structural change and corporate nature that the Company plans to undertake, for analysis and reporting to the Board of Directors regarding the economic conditions and the accounting impact and, in particular and where applicable, about the proposed exchange ratio.

Complies Partially complies Explain Not applicable

45. The risk management and control policy should at least identify or determine:

a) The different types of risks, financial and non-financial (including operational, technological, legal, social, environmental, environmental, political and reputational risks, and also including those related to corruption) that the Company faces, including, among the financial or economic risks, contingent liabilities and other off-balance sheet risks.

b) A risk control and management model based on different levels, of which a specialised Risk Committee shall form part when the industry standards so provide or when the Company deems it appropriate.

c) The level of risk that the Company considers acceptable.

d) The measures established to mitigate the impact of the risks identified, in the event that they end up materialising.

e) The information and internal control systems to be used to monitor and manage these risks, including contingent liabilities or off-balance sheet risks.

Complies Partially complies Explain

46. Under the direct supervision of the Audit Committee or, where applicable, a specialist Board Committee, an internal control and risk management function should exist, exercised by a unit or internal department of the Company that is expressly attributed the following functions:

a) Ensure the proper operation of risk management and control systems and, in particular, that all significant risks affecting the company are identified, managed and adequately quantified.

b) Actively participate in the preparation of the risk strategy and in important decisions regarding its management.

c) Ensure that the control and risk management systems adequately mitigate the risks within the framework of the policy defined by the Board.

Complies Partially complies Explain

47. The members of the Appointments and Remuneration Committee—or of the Appointments Committee and the Remuneration Committee, if they are separate groups—should be responsible for ensuring that they have the knowledge, skills and experience required for the duties that they have been called upon to perform, and the majority of those members should be Independent Directors.

Complies Partially complies Explain

48. Companies with a high level of capitalisation should have two separate Committees for Appointments and Remuneration.

Complies Explain Not applicable

49. The Appointments Committee should consult with the Chairman of the Board and the CEO of the Company, especially when dealing with matters relating to the Executive Directors.

And any Director should be able to request that the Appointments Committee take into consideration potential candidates to fill any Director vacancies, if they are suitable in his opinion.

Complies Partially complies Explain

50. The Remuneration Committee should exercise its functions independently and, as well as the functions attributed to it by law, the following functions correspond to it:

- a) Propose the basic conditions to the Board for the Senior Executives' contracts.
- b) Check compliance with the remuneration policy established by the Company.
- c) Periodically review the remuneration policy applied to the Directors and Senior Executives, including any remuneration systems involving shares and their application, as well as ensuring that individual remuneration is proportionate to the amounts paid to the other Directors and senior managers of the Company.
- d) Ensure that any potential conflicts of interest do not harm the independence of the external advice rendered to the Committee.
- e) Verify the information on directors' and senior management remuneration contained in the various corporate documents, including the annual report on directors' remuneration.

Complies Partially complies Explain

51. The Remuneration Committee should consult the Chairman and CEO of the Company, especially when dealing with matters relating to Executive Directors and Senior Executives.

Complies Partially complies Explain

52. The rules governing the composition and operation of the supervision and control committees should feature in the Regulations of the Board and are consistent with those legally binding rules that apply to the committee, in accordance with the previous recommendations, including that:

a) It should comprise exclusively Non-Executive Directors, with a majority of Independent Directors.

b) Its Chairmen should be Independent Directors.

c) The Board should appoint the members of these Committees, taking into account the knowledge, skills and experience of the Directors and the duties of each committee; it should deliberate over their proposals and reports; and it should be accountable for their activity and respond to the work performed, in the first full Board meeting after their respective meetings.

d) The Committees should be able to engage external advisors when they consider it necessary for the performance of their functions.

e) Minutes should be kept of all meetings, which should then be made available to all of the Directors.

Complies Partially complies Explain Not applicable

53. Supervision of compliance with the Company's environmental, social and corporate governance policies and rules, as well as internal codes of conduct, should be entrusted to one or more committees of the Board of Directors, which may be the Audit Committee, the Nomination Committee, a committee specializing in sustainability or corporate social responsibility, or any other specialized committee that the Board of Directors, in the exercise of its self-organizing powers, has decided to create. Such committee shall be composed solely of Non-Executive Directors, the majority of whom shall be independent and be specifically attributed the minimum functions indicated in the following recommendation.

Complies Partially complies Explain

54. The minimum functions referred to in the above recommendation are as follows.

a) Overseeing compliance with the company's corporate governance rules and internal codes of conduct, and ensuring that the corporate culture is aligned with the company's purpose and values.

b) Overseeing the implementation of the general policy on economic-financial, non-financial and corporate reporting as well as communication with shareholders and investors, proxy advisors and other stakeholders.

Likewise, the way in which the entity communicates and relates to small and medium-sized shareholders shall also be monitored.

c) The evaluation and periodic review of the corporate governance system and of the company's environmental and social policy, so that they fulfil their mission of promoting the corporate interest and take into account, as appropriate, the legitimate interests of other stakeholders.

d) The supervision that the Company's practices in environmental and social matters are in line with the agreed strategy and policy.

e) Supervising and evaluating the processes relating to different stakeholder groups.

Complies [X] Partially complies [] Explain []

55. Sustainability policies on environmental and social matters should identify and include at least:

a) The principles, commitments, objectives and strategy with respect to shareholders, employees, customers, suppliers, social issues, environment, diversity, corporate responsibility, respect for human rights and prevention of corruption and other illegal conduct.

b) The methods or systems for monitoring compliance with policies, associated risks and their management.

c) The mechanisms for monitoring non-financial risk, including those related to ethical aspects and business conduct.

d) The channels of communication, participation and dialogue with stakeholders.

e) Responsible communication practices that avoid manipulation of information and protect integrity and honour.

Complies [X] Partially complies [] Explain []

56. The Directors' remuneration should be sufficient to attract and retain Directors of the desired profile and to remunerate the dedication, qualification and level of responsibility required by the role, but not so high as to compromise the independence of judgement of the Non-Executive Directors.

Complies [X] Explain []

57. The Executive Directors' variable remuneration that is linked to the performance of the Company and individual performance should be limited, as should the remuneration paid through shares or share options or instruments that depend on the share value, as well as the long-term savings plans, such as pension plans, retirement plans and other social welfare systems.

Shares may be considered as remuneration for Non-Executive Directors when those Directors are obliged to hold those shares until the end of their term in office. This shall not apply to shares that Directors need to transfer, where applicable, to meet the costs relating to their acquisition.

Complies [X] Partially complies [] Explain []

58. In the case of variable remuneration, the remuneration policy should incorporate the necessary limits and technical safeguards to ensure that such remuneration relates to the professional performance of its beneficiaries and does not only depend on the general evolution of the markets or the Company's sector or other similar circumstances.

And, in particular, the variable components of the remuneration should:

- a) Be linked to the performance criteria that are determined in advance and are measurable, and that those criteria reflect the risk assumed to obtain a result.
- b) Promote the sustainability of the Company and include non-financial criteria that are appropriate for the creation of value over the long-term, such as compliance with the Company's rules and internal procedures and its policies for the control and management of risks.
- c) They are configured on the basis of a balance between compliance with short, medium and long-term objectives, which allow the remuneration of continued performance over a sufficiently long period of time to appreciate the contribution to the sustainable creation of value, in such a way that the measurement elements of that performance do not revolve solely around one-off, occasional or extraordinary events.

Complies [X] Partially complies [] Explain [] Not applicable []

59. The payment of the variable components of the remuneration should be subject to sufficient verification that the previously established performance or other conditions have been effectively fulfilled. Entities shall include in the annual Directors' remuneration report the criteria regarding the time required and methods for such verification depending on the nature and characteristics of each variable component.

Additionally, the entities should consider the establishment of a reduction clause ('malus') based on the deferral for a sufficient period of time of the payment of a part of the variable components that implies their total or partial loss in the event that prior to the moment of payment, some event occurs that makes it advisable.

Complies [X] Partially complies [] Explain [] Not applicable []

60. The remuneration relating to the results of the Company should take into account any potential qualifications that appear in the external auditor's report and reduce those results.

Complies Partially meets Explain Not applicable

61. A significant percentage of the variable remuneration paid to the Executive Directors should be linked to the delivery of shares or financial instruments linked to the share value.

Complies Partially complies Explain Not applicable

The General Shareholders' Meeting held on 21 May 2019, approved the execution of a long-term incentive plan that includes, amongst others, the Executive Directors, the main characteristics of which are as follows. The Plan contemplates the obligation, by the Collective of Beneficiaries, to dedicate a percentage of the Net Amount received to the acquisition of shares of the Company.

62. Once the shares, options or financial instruments corresponding to the remuneration systems have been assigned, Executive Directors may not transfer ownership or exercise them until a period of at least three years has elapsed.

An exception is made in the case in which the Director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his/her annual fixed remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to shares that the Director needs to dispose of to meet the costs related to their acquisition or, subject to a favourable appraisal by the Appointments and Remuneration Committee, to meet extraordinary supervening situations that so require.

Complies Partially meets Explain Not applicable

63. Contractual agreements should include a clause that allows the Company to demand the return of the variable components of the remuneration when the payment has not reflected the performance conditions or when it has been paid on the basis of data whose accuracy is subsequently discredited.

Complies Partially meets Explain Not applicable

The variable remuneration of the Executive Directors is accrued and paid according to the objectives achieved in line with the parameters established to measure the business and personal performance objectives. Once the variable components have been measured, agreed upon and paid, it is not contemplated in the Directors contracts to claim the reimbursement of such amounts.



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64. Payments for termination or extinction of the contract should not exceed an amount equivalent to two years of the total annual remuneration and should not be paid until the Company has been able to verify that the Director has complied with the criteria or conditions established for their receipt.

For the purposes of this recommendation, termination or contractual termination payments shall include any payments whose accrual or payment obligation arises as a result of or in connection with the termination of the contractual relationship linking the Director to the Company, including amounts not previously vested in long-term savings systems and amounts paid under post-contractual non-competition agreements.

Complies [X]

Partially meets []

Explain []

Not applicable []

H. OTHER RELEVANT INFORMATION

1. If there are any relevant aspects relating to the corporate governance of the Company or entities of the group that have not been captured in the other sections of this report, but which should be included to ensure a more complete and reasoned set of information about the governance structure and practices of the entity or group, briefly describe them.
2. Within this section, any other information, clarification or meaning related with the foregoing sections of the report may be included here provided they are relevant and not reiterative.

Specifically, indicate whether the Company is subject to legislation other than Spanish law in terms of corporate governance and, where applicable, include details of the information that it is obliged to supply and that is different from the information required in this report.

3. The Company may also state whether it has voluntarily acceded to any international, sectorial or other codes of ethical principles or codes of good practice. Where applicable, the code in question should be identified along with the date of accession. In particular, it will mention if it has adhered to the Code of Good Tax Practices, of 20 July 2010:

The Group to which the Company belongs supports the United Nations Global Compact.

This Annual Corporate Governance Report has been approved by the Board of Directors of the Company, at its meeting on:

28/02/2023

Indicate whether any Directors voted against or abstained from voting on the approval of this Report.

Yes
 No