



## **ANNUAL REPORT 2019 FROM THE AUDIT COMMITTEE OF TALGO, S.A.'S BOARD OF DIRECTORS REGARDING THE INDEPENDENCE OF THE AUDITORS OF THE ANNUAL ACCOUNTS**

Article 529 m of the Capital Companies Act, in its new wording of Law 22/2015, dated 20 July, governing the Audit of Accounts, and the Board of Directors' Regulations regarding the Audit Committee's areas of responsibility, require the Audit Committee to prepare an annual report in which it expresses an opinion regarding the independence of the auditors of the accounts, and assesses the delivery of each and every one of the additional services, considered individually and as a whole, that are rendered in addition to the statutory audit.

The Audit Committee of the Board of Directors, in a meeting held on 25 February 2020, under the Presidency of D. Emilio Novela Berlín and with the participation of all of its members, has proceeded to issue this Annual Report 2019 regarding the independence of the auditors of the accounts and the delivery of additional services other than audit services, for submission to the Company's Board of Directors.

### **Independence of the Company's External Auditors**

At the proposal of the Board of Directors and following a favourable report from the Audit Committee, the Company's General Shareholders' Meeting, held on 21 May 2019, appointed the firm DELOITTE, S.L., registered in the R.O.A.C. with number S-0692, as the Auditors of the Company's accounts. As such, that firm will perform the audit of the individual and consolidated annual accounts of the Company and of its Group of companies corresponding to the financial year ending 31 December 2019.

As a result of this decision, in 2019, the audit firm auditors DELOITTE, S.L. marks its seventh year as the external auditor of the Company and of its consolidated Group.

In accordance with the provisions of current legislation and following this Audit Committee's receipt of written confirmation from the auditors DELOITTE, S.L. regarding their independence from the Company and its Group of companies, as well as the list of additional services, other than those associated with the audit, that are rendered by the auditors and by entities related to that firm, during the year 2019 and which are detailed below:

<b>Description</b>	<b>€ in thousands</b>
Audit Services	360
Other Verification Services	25
<b>Total Audit and Related services</b>	<b>385</b>
Tax Advisory Services	12
<b>Total Tax Advisory Services</b>	<b>12</b>
Other services	-
<b>Total other services</b>	<b>-</b>
<b>Total Professional Services</b>	<b>397</b>



Thus, “Other verification services” are services that are very similar to audit services, which sometimes complement and even partially serve for the work of the audit activity itself and which are entrusted to the external auditors, due to their knowledge of the business and to avoid duplication of work, to the extent that they do not represent any kind of conflict of interest. Sometimes, as a result of a legal requirement, the external auditors perform certain verification tasks themselves (limited review reports commissioned by clients) and sometimes, commitments made with third parties (verification of financial covenants).

Regarding the “Tax Advisory Services”, they refer to the review of tax declarations in certain countries (primarily those in which no specialist internal resources are available) in order to ensure regulatory compliance in all of the geographical regions in which the Group operates.

In this context and after discussing with the Group’s management team the additional services rendered and described above, this Audit Committee concludes that, to the best of its knowledge and understanding, the independence of the external auditors DELOITTE, S.L., for the purposes of the issuance of their audit report on the Company’s individual and consolidated annual accounts for the year ended 31 December 2019, has not been comprised in any way whatsoever.

Madrid, 25 February 2020