



**ANNUAL CORPORATE GOVERNANCE
REPORT
FOR PUBLIC AND LISTED
COMPANIES**

THE ISSUER'S IDENTIFICATION DETAILS

Reference year end date: 31/12/2019

TAX ID: A84453075



ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC AND LISTED COMPANIES

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 detailing the Company's share capital:

Last modification date	Share capital (€)	Number of shares	Nº of voting rights
04/08/2017	41,105,342.00	136,562,598	136,562,598

Indicate whether there are different types of shares with different associated rights:

Yes

No

A.2. List the direct and indirect holders of significant shareholdings in the Company at year end, excluding Directors:

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	
SANTA LUCIA S.A. COMPAÑIA DE SEGUROS Y REASEGUROS	5.02	0.00	0.00	0.00	5.02

Detail of the indirect participation:

Name or corporate name of the indirect shareholder	Name or corporate name of the 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:

Most significant movements

- Sale of the shares held by MCH Inversiones Industriales SARL (4.7%) and MCH Iberian Capital Fund III (4.3%)

A.3. Complete the following tables about the Company Board members who hold voting rights over Company shares:

Name or corporate name of Director	% voting rights attributed to the shares		% voting rights through financial instruments		Total percentage of voting rights	% voting rights that can be transmitted through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
MR. IGNACIO MATAIX ENTERO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. SEGUNDO VALLEJO ABAD	0.87	0.00	0.00	0.00	0.87	0.00	0.00
MR. JOSÉ MARÍA DE ORIOL FABRA	1.28	0.00	0.00	0.00	1.28	0.00	0.00
MR. CARLOS DE PALACIO Y ORIOL	0.87	0.00	0.00	0.00	0.87	0.00	0.00
MR. ANTONIO OPORTO DEL OLMO	0.00	0.00	0.00	0.00	0.00	0.00	0.00
MR. JUAN JOSÉ NÁRDIZ AMURRIO	0.02	0.00	0.00	0.00	0.02	0.00	0.00
MR. FRANCISCO JAVIER BAÑON TREVIÑO	0.13	0.00	0.00	0.00	0.13	0.00	0.00
PEGASO TRANSPORTATION INTERNATIONAL SCA	35.49	0.00	0.00	0.00	35.49	0.00	0.00

% of total voting rights held by the Board of Directors	38.66
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Details of the indirect participation:

Name or corporate name of Director	Name or corporate name of the direct shareholder	% voting rights attributed to the shares	% voting rights through financial instruments	Total percentage of voting rights	% voting rights that can be transmitted through financial instruments
No data available		N/A	N/A	N/A	N/A

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	Description relationship / position
Mr. FRANCISCO JAVIER BAÑON TREVIÑO	PEGASO TRANSPORTATION INTERNATIONAL, SCA	PEGASO TRANSPORTATION, S.A.R.L.	Mr. Bañon is a legal person representative of Pegaso Transportation International, SCA, a significant shareholder of Talgo, S.A. In turn, Mr Bañon is a member of the Board of Directors of Pegaso Transportation, S.A.R.L., which controls 100% 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 representative Director of 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 Companies Act. Where applicable, briefly describe these agreements and list the shareholders involved in them:

[√] Yes
[] No

Participants in shareholders' agreement	Percentage of share capital affected	Brief description of the agreement	Expiration date of the agreement, if any
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. ALFONSO DE ORIOL FABRA, MR. LUIS IGNACIO RECASENS CASTILLEJO, MS. MARÍA GRACIA RECASENS CASTILLEJO, MR. CAMILO PEDRO DE ORIOL FABRA, MR. JUAN CASTILLEJO ORIOL, MS. MARÍA DEL 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 ORIOL, MS. MARÍA DE LAS NIEVES DE ORIOL PASTEGA, MR. GONZALO DEL RÍO Y ORIOL, MR. NICOLÁS DOMECC ORIOL, MS. BLANCA DEL RÍO Y ORIOL, MR. CARLOS DEL RÍO Y ORIOL, MS. LUISA FERNANDA DEL RÍO Y ORIOL, MR. JAIME DEL RÍO Y ORIOL, MR. MARIO DE ORIOL PASTEGA, MS. MARÍA SACRAMENTO DE 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 ORLESA S.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 ORIOL	43.26	<p>It regulates aspects regarding the governing bodies of the company and the transmission and sale of shares. The validity of this shareholders' agreement will end after the second anniversary of the date of the Company's admission onto the stock market (a condition that is no longer relevant since that anniversary has passed), or on the date on which PEGASO TRANSPORTATION INTERNATIONAL, S.C.A. no longer holds a significant stake in the Company (according to the current legislation: 3%), whichever occurs first.</p> <p>Notwithstanding the above, 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 the Company's admission onto the stock market (a term that expired at the end of 2019), or when PEGASO TRANSPORTATION INTERNATIONAL, SCA no longer holds a significant stake in the Company (in accordance with current legislation: 3%), whichever occurs first.</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
11,228,358		8.22

(*) Through:

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

Explain the significant variations during the year:

On 15 November 2018, the Board of Directors of Talgo agreed to repurchase some own shares up to a maximum amount of €100,000,000 during a maximum period of 18 months, in accordance with the agreement of the Ordinary General Shareholders' Meeting of Talgo, held on 10 May 2018 as the seventh item on the agenda.

Under the framework of the aforementioned agreement, the Board of Directors of Talgo has agreed to establish an own share buy-back program (the "Buy-Back Program" or "Program") in accordance with the aforementioned authorization granted by the General Shareholders' Meeting.

In this regard and under the terms of that Buy-Back Program, Talgo S.A. acquired 10,437,560 own shares, representing 7.64% of the Company's Share Capital during 2019.

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 stock:

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

- Acquisitions may be made directly by the Company or indirectly through its subsidiaries in the same terms of this agreement.
- Acquisitions will be made through purchase and sale transactions, exchange or any other permitted by law.
- Acquisitions may be made, at any time, up to the maximum amount allowed by law.
- 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.
- This authorization 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 Companies Act.

In said agreement it was expressly stated that the shares acquired as a result of this authorization 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 Companies 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 authorization for the derivative acquisition of treasury shares granted to the Board of Directors by the General Shareholders' Meeting held on March 28, 2015.

A.11. Estimated free float capital

	%
Estimated free float capital	48.11

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 authorization 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 the 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 Companies Act (LSC) and the quorum for the constitution of the General Shareholders' Meeting, and where applicable, provide details.

Yes
 No

B.2. Indicate whether differences exist between the regime set out in the Spanish Corporate Law (LSC) for the adoption of resolutions and, where applicable, provide details:

Yes
 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 Companies 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 meeting date	% physical presence	% proxy	Electronic vote	Other	Total
09/05/2017	3.63	61.89	0.01	0.83	66.36
Of which floating capital	0.83	11.99	0.01	0.83	13.66
10/05/2018	2.02	62.93	0.00	0.03	64.98
Of which floating capital	1.19	17.12	0.00	0.03	18.34
24/07/2018	3.75	63.96	0.00	0.03	67.74
Of which floating capital	2.02	19.43	0.00	0.03	21.48
21/05/2019	2.62	56.87	0.24	1.11	60.84
Of which floating capital	1.34	14.32	0.24	1.11	17.01

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:

- Yes
 No

B.6. Indicate if there are any statutory restrictions that establish a minimum number of shares required to attend the general meeting, or to vote by absentee ballot:

- Yes
 No

B.7. Indicate whether it has been established that certain decisions, other than those established by law, involving an acquisition, transfer, contribution to another company of essential assets or other similar corporate operations, must be submitted for approval by the general meeting of shareholders:

- Yes
 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

At this same address you can access information regarding the past general meetings held by the Company:

www.talgo.com > investors> general shareholders meeting

C. STRUCTURE OF THE COMPANY'S BOARD

C.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	13

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. IGNACIO MATAIX ENTERO		Independent	DIRECTOR	24/07/2018	24/07/2018	CO-OPTING
MR. SEGUNDO VALLEJO ABAD		Other External	DIRECTOR	24/07/2018	24/07/2018	CO-OPTING
MR. JOSE MARÍA DE ORIOL FABRA		Executive	CEO	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT
MR. CARLOS DE PALACIO Y ORIOL		Executive	CHAIRMAN	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT
MR. ANTONIO OPORTO DEL OLMO		Independent	DIRECTOR	20/09/2018	20/09/2018	CO-OPTING
MR. RAMÓN HERMOSILLA GIMENO		Other External	DIRECTOR	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT
MR. JUAN JOSÉ NÁRDIZ AMURRIO		Independent	DIRECTOR	29/09/2015	29/09/2015	CO-OPTING
MR. EMILIO NOVELA BERLÍN		Independent	INDEPENDENT COORDINATOR DIRECTOR	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT

MR FRANCISCO JAVIER BAÑÓN TREVIÑO		Proprietary	DIRECTOR	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT
NUEVA COMPAÑÍA DE INVERSIONES, S.A.	MR. MIGUEL ABELLÓ GAMAZO	Proprietary	DIRECTOR	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT
PEGASO TRANSPORTATION INTERNATIONAL SCA	MR. JAVIER OLASCOAGA	Proprietary	DIRECTOR	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT
MR. JOHN CHARLES POPE		Independent	DIRECTOR	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT
MR ALBERTUS MEERSTADT		Independent	DIRECTOR	28/03/2015	21/05/2019	GENERAL SHAREHOLDERS MEETING AGREEMENT

Total number of Directors

13

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 mandate
MR. MICHEL MOREAU	Independent	28/03/2015	28/02/2019	Strategy Committee and Audit Committee	YES
MR. JOSE MARIA MUÑOZ DOMÍNGUEZ	Proprietary	27/03/2015	28/02/2019	Audit Committee	YES

Reasons for the departures and other observations

- Mr. Michel Moreau resigned in February 2019 for personal reasons.

- Mr. José María Muñoz resigned in February 2019 after the shareholders with significant positions, which proposed him as a proprietary director, specifically, MCH Inversiones Industriales SARL and MCH Iberian Capital Fund III, FCR, exited the shareholding of Talgo, S.A. during the year and therefore ceased to be shareholders of the Company.

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. JOSÉ MARÍA ORIOL FABRA	CEO	Mr. Oriol Fabra has been the CEO of Talgo since 2002 and has 33 years of experience in the railway industry. He joined Talgo in 1987 and since then has been involved in the Group assuming different positions, among others, Procurement Manager, CFO and General Director of different subsidiaries of Talgo. 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 the "Dostyk II" in 2011 by the Prime Minister of the Republic of Kazakhstan and the "Command of the Order of Civil Merit" in 2012 by His Majesty the King of Spain.

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)
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Total number of Executive Directors	2
% of total Board	15.38

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 practiced 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	23.08

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of Director	Profile
MR. IGNACIO MATAIX ENTERO	Mr. Mataix Entero is the General Director of Defence, Transport and Air Traffic in Indra. Previously, he was the General Director of Industry of Turbo Propellers (ITP), being also Chairman and member of the Board of Group companies. Previously, Mr. Mataix Entero was General Director of Corporate Development of the Sener Engineering Group (SGI), where during that period and later he was a Director of Sener Engineering Group and Sener Systems Engineering. Previously, he was Managing Director of ABN AMRO Bank, responsible for the area of investment banking in Spain and CEO of ABN AMRO Sociedad de Valores y Bolsa. In addition, he was Co-Managing Director of ABN AMRO - Rothschild Equity Capital Markets, responsible in London for structured products for Structured Finance in Europe, and Director of Corporate and Structured Finance in Spain. Mr. Mataix Entero holds a degree in Law and Economic and Business Sciences from the Universidad Pontificia de Comillas (ICADE E-3), and completed the IESE CEO International Program.
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 Málaga, is a State Commercial Technician, holds a diploma in international business from the Whartfon Business School and has a doctorate in Economic and Business Sciences with cum laude qualification from the University of Málaga. He has also completed a seminar on international economics at Harvard University.
MR. JUAN JOSÉ NÁRDIZ AMURRIO	Mr. Nárdiz is currently the President of Martinrea Honsel, having previously been Vice President of Operations in this company. He has held various positions of Presidency in companies such as European Die Casting Association and Tafime S.A., being in this one an engineer, Expansion Director and Business Development Director and Chief Executive Officer. Mr. Nárdiz is a senior-level executive with 28 years of operational, marketing, business development (strategic planning and M&A), sales and, engineering experiences in the foundry and automotive industries. He has extensive experience and expertise in developing relationships in the North-and South American, European, Chines and Indian markets. Mr. Nárdiz has a Degree in Industrial Engineering from ICAI, a Master's Degree in Business Administration from the Instituto de Empresa Business School, a Material Science in Engineering Postgraduate Degree, from UCLA, United States, and a Degree in Sales Administration from the École des Études Économiques in Montpellier.

INDEPENDENT EXTERNAL DIRECTORS	
Name or corporate name of Director	Profile
MR. EMILIO NOVELA BERLÍN	Mr. Novela currently represents Banco Santander on the Board of the Spanish Association of Private Banking and is also a member of the Board of Merlin Properties and Openbank, SA. In addition, Mr. Novela holds important positions, among others, in the Confederation of Empresarios de Madrid (CEIM), Reyal Urbis, SA and in Dixi Media Digital, SA Mr. Novela has extensive experience holding positions in 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 the first Vice-Chairman of Vallehermoso, a leading Spanish real estate and construction company.
MR. JOHN CHARLES POPE	Currently Mr. Pope is the Chairman of the PFI Group, LLC and Chairman of the Board of Directors of R.R.Donnellely & 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 director of The Kraft Heinz Company, RR Donnelley & Sons, Co. (RRD), and Waste 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.
MR. ALBERTUS MEERSTADT	Mr. Meerstadt is Managing Partner of the CMR agency. Previously, Mr. Meerstadt was Vice President of the Supervisory Board of Lucas Bols and Supervisory Board member of ABN AMRO. He was CEO of the Executive Board of the NV Nederlandse Spoorwegen (Netherlands Railways), leading train and stations operating company in The Netherlands. He joined this company in 2001 as Chief Commercial Officer. Before joining the Netherlands Railways, he has worked for 8 years in the marketing and advertising sector in the companies Young & Rubicam and Marketing and Consult Brand Strategies. Mr. Meerstadt started his career at McKinsey & Company. Mr. Meerstadt has a Certification of the International Director's Programme and a Masters Degree in Business Administration from INSEAD European Business School and a MSc Degree in Architectural Engineering from Delft University of Technology.

Total number of Independent Directors	6
% of total Board	46.15

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
MR. IGNACIO MATAIX ENTERO	n/a	n/a
MR. ANTONIO OPORTO DEL OLMO	n/a	n/a
MR. JUAN JOSÉ NÁRDIZ AMURRIO	n/a	n/a
MR. EMILIO NOVELA BERLÍN	n/a	n/a
MR. JOHN CHARLES POPE	n/a	n/a
MR. ALBERTUS MEERSTADT	n/a	n/a

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
MR. SEGUNDO VALLEJO ABAD	<p>Article 8 of the Board of Directors' Regulations of TALGO, in its section 5 establishes that in no case may employees who have been Executive Directors of group companies be appointed as Independent Directors, unless 3 or 5 years have elapsed, respectively, since the termination of that relationship. In this sense, Mr. Vallejo Abad held the position of Industrial General Director of Talgo until 2018.</p>	PATENTES TALGO S.L.	<p>Mr. Vallejo Abad has 42 years of experience in positions of responsibility in the railway sector. He was Industrial General Director of Talgo from 2003 to 2018, covering the technical direction, manufacturing management, maintenance management, project management, as well as relations with the Renfe customer and unions. During the years of Mr. Vallejo Abad's responsibility in Talgo, Talgo 350, Talgo 250, Talgo 250 hybrid, Talgo Kazakhstan, Talgo USA (Series 8), Talgo Bosnia, Talgo Uzbekistan have been developed, manufactured and / or put into operation Talgo Russia, Talgo Saudi Arabia and prototype Avril. The coincidence of several development, manufacturing and maintenance projects with different clients worldwide stands out. Additionally, he has been responsible for the design and start-up of Talgo's new factories and maintenance centres around the world. From 2008 to 2013 Mr. Vallejo Abad was Chairman of Tarvia, SA, a railway maintenance company owned by Renfe (49%) and Talgo (51%), whose purpose was to maintain the 46 Talgo 350 trains, successfully completing the whole trajectory of this company. Mr. Vallejo Abad holds the degree of Industrial Engineer in mechanical specialty by the School of Engineering of ICAI.</p>

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
Mr. RAMÓN HERMOSILLA GIMENO	The firm RAMON HERMOSILLA ABOGADOS, where the Director is founding partner, render legal services to the Group of the Company TALGO, S.A. and subsidiaries.	PATENTES TALGO S.L.	<p>Mr. Hermosilla has been one of the managing partners and founder of the law firm Ramón Hermosilla Abogados since 2015.</p> <p>He began his professional career as a lawyer at the law firm Melchor de las Heras (currently Albiñana & Suárez de Lezo). Additionally, he was Chairman of the law firm Ramón Hermosilla & Gutiérrez de la Roza, SLP until December 2014. Mr. Hermosilla has extensive experience in the areas of Arbitration and Litigation, Mergers and Acquisitions and Capital Markets, among others. He is currently Secretary of</p> <p>The Board and legal counsel of several companies that operate in different segments of activity.</p> <p>Additionally, he has carried out teaching and doctoral activities. He has been Professor of Commercial Law at the Federico de Castro School of Practice and at the Center for Superior Legal and Business Studies (CESJE). Currently, he lectures in the Master of Commercial Law at the University Catholic Institute of Business Administration and Management of the Universidad Pontificia de Comillas (ICADE) and the Instituto de Empresa (IE), among others. In relation to his most significant publications,</p>

OTHER EXTERNAL DIRECTORS			
Proprietary will be the other External Directors and explain the reasons why they cannot be considered as Proprietary or identified 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
			it is necessary to highlight chapter 2 "Request and judicial declaration of Bankruptcy" for 2009-2010 and 2011-2012 Memento Práctico Concursal, as well as their collaborations in the book "Treaty of Regulation in the Electric Field" in 2009. Mr. Hermosilla has a degree in Law from the Complutense University of Madrid and has completed an Executive Advanced Management and Leadership Program at the University of Oxford.

Total number of Other External Directors	2
% of total Board	15.38

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 2019	Year 2018	Year 2017	Year 2016	Year 2019	Year 2018	Year 2017	Year 2016
Executives					0.00	0.00	0.00	0.00
Proprietary					0.00	0.00	0.00	0.00
Independent			1	1	0.00	0.00	7.69	7.69
Other External					0.00	0.00	0.00	0.00
Total			1	1	0.00	0.00	7.69	7.69

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 year. 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 the event that the company does not apply a diversity policy, explain the reasons why 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 February 22, 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, color, 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:

Explanation of the 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.

The Company, with the aim of promoting gender diversity in the composition of the governing body, has decided not to propose the appointment of any other director until the aforementioned list has been drawn up.

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

Explanation of the 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 drawn by the Appointments Committee regarding the verification of compliance with the selection policy for Directors. And in particular, about whether this policy is promoting the objective that the number of female Directors should represent, at least, 30% of the total number of Board members by 2020.

The Appointments and Remuneration Committee has the will and objective of finding female directors who, in line with the selection process expressed in the Board of Directors' Diversity Policy (attached document), will fill the vacancies that arise on the Board of Directors.

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 powers delegated by the Board of Directors to directors or board committees:

Name or corporate name of Director or Committee	Brief description
CARLOS DE PALACIO Y ORIOL	These Directors have been delegated all of the legal and statutorily delegable powers: (i) Severally for operations that do not exceed 3 million EUR. (ii) Jointly for operations of an amount exceeding 3 million EUR and less than 18 million EUR.
JOSÉ MARÍA ORIOL FABRA	These Directors have been delegated all of the legal and statutorily delegable powers: (i) Severally for operations that do not exceed 3 million EUR. (ii) Jointly for operations of an amount exceeding 3 million EUR and less than 18 million EUR.

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. JOSÉ MARÍA ORIOL FABRA	Talgo Inc.	Chairman	NO
MR. JOSÉ MARÍA ORIOL FABRA	Motion Rail SA	CEO	YES
MR. JOSÉ MARÍA ORIOL FABRA	Patentes Talgo S.L.	CEO	YES
MR. JOSÉ MARÍA ORIOL FABRA	Talgo Deutschland GMBH	CEO	YES
MR. CARLOS DE PALACIO Y ORIOL	Motion Rail SA	Chairman	YES
MR. CARLOS DE PALACIO Y ORIOL	Patentes Talgo S.L.	Chairman	YES
Mr. RAMÓN HERMOSILLA GIMENO	Patentes Talgo S.L.	Secretary General	NO
PEGASO TRANSPORTATION INTERNATIONAL SCA	Motion Rail SA	Member	NO
MR. ALBERTUS MEERSTADT	Motion Rail SA	Member	NO

C.1.11 List, where appropriate, the directors or representatives of directors who are legal persons of their company, who are members of the board of directors or representatives of legal persons of other companies listed on official securities markets other than their group, that have been communicated to society:

Name or corporate name of Director	Corporate Name of the Public Corporation	Position
Ignacio Mataix Entero	Indra Sistemas, S.A.	DIRECTOR

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 that regulates it

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 Appointments 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)	2,178
Amount of total remuneration for current Directors corresponding to accumulated pension rights (thousand euros)	545
Amount of total remuneration for former Directors corresponding to accumulated pension rights (thousand euros)	

The accumulated pension rights are outsourced through an insurer.

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. JESÚS ARANDA BAYONA	Maintenance Systems Director
MR. JOSE IGNACIO GARCÍA BUENDÍA	Projects Director
MS. MARÍA DE LAS MERCEDES IZARRA HERMOSO	Organization Director
MR. FERNANDO AZNAR ALONSO	Business Development Director
MR. ROBERTO MARTÍNEZ ESPINOSA	Manufacturing Director
MR. DIEGO SOBRÓN JIMÉNEZ	Administration and Treasury Director
MS. YOLANDA JUANAS GARRIDO	Human Resources Director
MR. EMILIO GARCÍA GARCÍA	Innovation Director
MR. LUIS ALFONSO HENAR PÉREZ	Maintenance Director
MS. MARÍA LÓPEZ PACHECO	Internal Audit Director
MR. FRANCISCO JAVIER BORREGUERO DOMINGUEZ	COO
MR. EDUARDO FERNÁNDEZ-GOROSTIAGA CAMERA	Chief Financial Officer (CFO) (until 18/12/2019)
MS. LOURDES NOREIDA MUSSO MENDOZA	Customer Projects Director (until 15/03/2019)
Mr. ALVARO SEGURA ECHANIZ	Chief Financial Officer (CFO) (since 18/12/2019)
Total senior management remuneration (thousand euros)	
	2,796

C.1.15 Indicate whether there have been any changes to the Rules of the Board during the year:

Yes
 No

Description of the modifications

At the meeting of the Board of Directors held on 24 July 2019, a resolution was approved to modify Article 14, point three, which regulates the cases in which Directors are able to serve on the Board, in this sense, modifying the maximum age for serving as a Director from 73 to 76 years old.

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 Company's 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-Chairman 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 Rules 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 February 22, 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 the 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. During the financial year 2019 no deficiencies have been detected that have given rise to aspects of improvement, having been evaluated satisfactorily.

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

n/a.

C.1.18 Breakdown, in those years 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.

n/a

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) The necessary and appropriate information required for the preparation of Board meetings is included in this application, in accordance with the meeting agenda specified in the meeting notices, along with the material and presentations relating to them. (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 Rules 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 Rules 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

Where appropriate, 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 Rules 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 Rules 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 bylaws of the company establish that directors may only be represented at the meetings of the Board of Directors by another director and that the representation be conferred by letter addressed to the Chairman. 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	10
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	6
Number of meetings of the Strategy Committee	5
Number of meetings of the Appointments and Remuneration Committee	5

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	10
% attendance in person on total votes during the year	96.46

Number of meetings with face-to-face attendance, or representations made with specific instructions, of all the directors	7
% of votes cast with face-to-face attendance and representations made with specific instructions, on total votes during the year	96.46

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 hold meetings periodically with the external auditor in which among other topics, conclusion of the work performed in such meetings is reviewed, and in addition, in accordance with the provisions of the Board of Directors' Regulations regarding the powers of the Audit Committee, it is responsible for:

- (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:

- Yes
 No

In the event that there were any disagreements with the outgoing auditor, explain their content:

- Yes
 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	18	37
Fees for non-audit work / Fees for audit work (in%)	76	5.37	10.28

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 years	7	7

	Individual	Consolidated
Number of years audited by the current audit firm / Number of years that the company or its group has been audited (in%)	63.64	63.64

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

Details of the procedure

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 whether any members of the Board have notified the Company that they have been indicted or tried for any of the crimes stated in Article 213 of the Spanish Capital Companies Act:

- 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.

Some of the loans and other agreements signed between Talgo, S.A. and financial institutions may be susceptible to early repayment or may require additional guarantees in the event of a change of control. Together, they amount to approximately 236.5 million euros.

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	Executive Directors are entitled to compensation in accordance with the following assumptions: 1) in the event of improper dismissal, the equivalent of twelve (12) months of salary, in addition to the annual bonus provided that the corresponding financial year has ended, 100% of the loyalty bonus and 100% of the performance bonus; 2) for business reasons, the same as in case 1) excluding the performance bonus; 3) without due cause, the loyalty bonus and the performance bonus accrued until the termination date.

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 authorizing clauses	V	
	Yes	No
Is the general meeting informed about the clauses?	V	

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
MR. IGNACIO MATAIX ENTERO	MEMBER	Independent
PEGASO TRANSPORTATION INTERNATIONAL SCA	MEMBER	Proprietary

% 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.

In terms of the information and internal control systems, the following duties correspond to the:

- A) Audit Committee:
- Direct a unit or department in the Company that assumes the internal audit function and that ensures the effective operation of the information and internal control systems.
 - Supervise the process for the preparation, presentation and integrity of the mandatory financial information relating to the Company and, where appropriate, the Group.
 - Review the internal control and risk management systems on a periodic basis.
 - Supervise the effectiveness of the Company's internal controls, internal audit function and risk management systems, including those relating to tax.
 - Establish and supervise a mechanism that allows employees to communicate, confidentially and, if they deem appropriate, anonymously, any irregularities of potential significance, especially those of a financial and accounting nature, that they notice within the Company.
 - Ensure that the Board of Directors seeks to present the accounts to the General Shareholders' Meeting without limitations or qualifications in the audit report.
- B) In relation to the External Auditor:
- Raise to the Board of Directors for submission to the General Shareholders' Meeting proposals for the selection, appointment, re-election and replacement of the External Auditor of the accounts, as well as the conditions for their engagement.
 - Receive regular information from the external auditor about the audit plan and results of its execution, and verify that senior management take their recommendations into account.
 - Ensure the independence of the external auditor.
 - Establish appropriate relationships with the auditors of the accounts and the audit companies in order to receive information about those matters that may place the independence of them at risk, for consideration by the Audit Committee, and any others related to the process for auditing the accounts, as well as any other communications established in the legislation for the audit of accounts and in the auditing standards.
 - Issue a report that expresses an opinion about the independence of the auditors of the accounts or the audit companies, on an annual basis, prior to the issue of the audit report.
 - Where appropriate, encourage the group auditor to take responsibility for the audits of the companies that comprise the group.
- C) Report to the Board of Directors, prior to its adoption of the corresponding decisions reserved for the Board of Directors about the following matters:
- The financial information that, given its status as a listed company, the Company must publish periodically. The Audit Committee must ensure that the interim accounts are formulated in accordance with the same accounting criteria as the annual accounts and, to that end, should consider the appropriateness of a limited review by an external auditor.
 - The brochures for issuance, admission and other documentation relating to the issue or admission of shares.
 - The creation or acquisition of stakes in special purpose vehicles or in entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the transparency of the group.
 - Related party operations, unless, by virtue of these Regulations or subsequent decisions by the Board of Directors, they correspond to another committee.
- D) In relation to the internal audit function
- The Company shall have an internal audit function that, under the supervision of the Audit Committee, ensures the effective operation of the information and internal control systems;
 - The person responsible for the internal audit function will present his/her annual work plan to the Audit Committee;
 - The Audit Committee will ensure the independence and effectiveness of the internal audit function.

- E) In relation to the control and risk management policy, the Audit Committee must identify:
- (a) The various types of risk (operational, technological, financial, legal, reputational, etc.) facing the Company, including in the area of financial and economic risks the contingent liabilities and other off-balance sheet risks.
 - (b) Set the risk level that the Company deems 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 the contingent liabilities and 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 the Chairman was appointed to his position	28/03/2015

Strategy Committee		
Name	Position	Category
MR. JOSÉ MARÍA ORIOL FABRA	MEMBER	Executive
MR. ANTONIO OPORTO DEL OLMO	CHAIRMAN	Independent
MR. JUAN JOSÉ NÁRDIZ AMURRIO	MEMBER	Independent
PEGASO TRANSPORTATION INTERNATIONAL SCA	MEMBER	Proprietary

% of Executive Directors	25.00
% of Proprietary Directors	25.00
% of Independent Directors	50.00
% of External Directors	0.00

Explain the functions attributed to this Committee, and describe the procedures and rules of organization and operation thereof. 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.

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 session") 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 Company's 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. This Committee will:

- (i) Support the Board of Directors in the coordination and organization of Talgo's strategy through the dissemination, implementation and monitoring of the general strategy.
- (ii) Provide information and managing services with regard to the supervision and monitoring services as well as to the planning of the business strategy, which shall be determined by the Board of Directors of the Company and executed and boosted by its Chairman and its Chief Executive Officer, thereby enabling the development of the business strategy of Talgo.
- (iii) Establishes methodologies, analysis systems, decision supervision procedures and control instruments, in the interest and benefit of all the companies integrated in the group, always respecting the scope of ordinary management and effective management that corresponds to the governing and management bodies.
- (iv) Promotes the establishment of internal standards (on investments and divestments, purchases, corporate services, etc.) that serve as instruments of coordination at the service and interest of all Group companies, facilitating in this regard the supervision and monitoring of the decisions, in order to ensure compliance with the management strategies and guidelines established by the Board of Directors of the Company, as the parent company of the Group.

Appointments and Remuneration Committee		
Name	Position	Category
MR. FRANCISCO JAVIER BAÑON TREVIÑO	MEMBER	Proprietary
MR. JOHN CHARLES POPE	MEMBER	Independent
MR. ALBERTUS MEERSTADT	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 skills, knowledge and experience on the Board of Directors, define, accordingly, the necessary functions and skills in the candidates that must fill each vacancy, and evaluate the time and dedication necessary for them to adequately perform their duties. The Commission performs the functions assigned by law and by the standards that make up the company's Corporate Governance System:

- Evaluation of the degree of compliance with the objectives set to the Group's senior management for the year 2019.
- Analysis of the remuneration system of the members of the Board of Directors.
- Proposal regarding the approval of a new long-term incentive plan for executive directors and company executives.
- Analysis of the current structure of company executives. Action plan and proposals for its development and for the reinforcement of certain areas.
- Preparation of the legally required reports related to the appointment of new directors by the General Shareholders' Meeting and for the appointment by co-optation of directors to fill vacancies produced within the Board of Directors.
- Submit suggestions to the Board of Directors that allow for the best compliance with current legislation regarding the composition of this governing body and its operation.
- Establishment of the objectives for 2020 of the Group's senior management.

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.

It shall also 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 Appointments and Remuneration Committee, on an exceptional basis.

Notwithstanding the above, 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. Similarly, 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 2019		Financial Year 2018		Financial Year 2017		Financial Year 2016	
	Number	%	Number	%	Number	%	Number	%
Audit Committee	0	0.00	0	0.00	0	0.00	0	0.00
Strategy Committee	0	0.00	0	0.00	1	20.00	1	20.00
Appointments and Remuneration Committee	0	0.00	0	0.00	0	0.00	0	0.00



ANNUAL CORPORATE GOVERNANCE REPORT FOR PUBLIC AND LISTED COMPANIES

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 and the Appointments and Remuneration 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/es/investors/

D. RELATED PARTY TRANSACTIONS AND INTRA-GROUP OPERATIONS

D.1 Explain, if applicable, the procedure for approving related party and intra-group transactions.

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:

- D.1 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.
- D.2 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.
- D.3 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 List any significant transactions, by virtue of their amount or importance, between the Company or its group of companies, and the Company's significant shareholders

Name or corporate name of the significant shareholder	Name or corporate name of group company or entity	Nature of the relationship	Type of operation	Amount (thousand euros)
No data available				N/A

D.3 List any significant transactions, by virtue of their amount or importance, between the Company or its group of companies, and the Company's Directors or executives

Name or corporate name of managers or directors	Personal or corporate name of the related party	Link	Nature of the operation	Amount (thousand euros)
No data available				N/A

D.4 List any significant transactions undertaken by the Company with other companies in its group that are not eliminated in the process to prepare the consolidated financial statements and whose subject matter and terms set them apart from the Company's ordinary trading activity.

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	Short description of operation	Amount (thousand euros)
No data available		N/A

D.5 List any significant transactions, by virtue of their amount or importance, between the Company or its group of companies, and the Company's Directors or executives:

Corporate name of the related party	Short description of operation	Amount (thousand euros)
No data available		N/A

D.6. List the mechanisms established to detect, determine and resolve any possible conflicts of interest between the Company and/or its group and its Directors, executives or significant shareholders.

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.

(v) 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.

(vi) 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.

D.7. Is more than one Group company listed in Spain?

Yes
 No

E. CONTROL SYSTEMS AND RISK MANAGEMENT

E.1 Explain the scope of the Company's Risk Management System, including details of a fiscal 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 2019, 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 Rules 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 in value resulting from external factors, economic cycles, changes in patterns of demand 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

***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 financing contracts with fixed rates of interest.

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 this, the Company employs qualified personnel as well as external advisors from first-rate firms in all of 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 introduce 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 for the tax risk:

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 Executive Committee so that it can take decisions regarding the presentation of offers and the completion 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 any risks, including tax risks, that have arisen during the year:

No additional material or extraordinary risks arose during 2019, including tax risks, besides those details in the annual accounts, and in any event, without comprising the results, strategic objectives or equity. These materialised risks are risks inherent to all companies in the sector and no significant incidents were generated during the last year, given that the main risks that may affect the achievement of the business risks are managed in an active way by the organisation and the mitigation and control systems in place in the different areas have worked.

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 management activities that are performed in the core of the Talgo Group, in this regard, focus on managing the uncertainty in the financial markets and trying to minimise its potential adverse effects on the financial profitability of the Group.

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 tax 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 itself against 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 opportune 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) Tax risks

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 (SCIIF).

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 the year 2019 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 June 22nd. In this regard, it is a duty of the Group to adopt and execute as efficiently as possible organizational and management procedures, which include surveillance and control measures to prevent any criminal activity in the organization and which guarantee at all times, the legality of the acts that, in the exercise of professional activities, carry out all the workers and managers of the Group.

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 Company's 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 managers are responsible for deciding any changes in the organisational structure under their immediate control, following authorisation from the CEO and advice from 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 at Intranet of the Group, 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.

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 "Complaints 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 this communication must be identified, although the system guarantees the confidentiality and protection of his 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 program 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 2019 were as follows:

- Courses related to new NIIF (IFRS - International Financial Reporting Standards). NIIF 9, NIIF 15 and NIIF 16 identified as standards with the most significant impact and changes in the short term.
- Specific training in relation to the Internal Control System for Financial Reporting (SCIIF).
- Specific training of the Crime Prevention and Detection Model.
- Training in Spanish and international taxation.
- Training in management control.
- Finance for non-financial.
- 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)
- New taxation.

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 judgments 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 should be aligned with the global objectives to ensure the reliability of the financial information:
 - Existence and Occurrence: Registered transactions that are not valid, because they do not correspond to the exercise or due to lack of authorization (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, as an internal control system, the Talgo Group Internal Control System focuses on the following objectives, in addition to the objective of obtaining reliable financial information:

- Efficiency in operations: search for the realization of operations through the necessary resources, but with adequate 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 authorized 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 authorized to sign agreements, contracts, etc.
 - The people who hold the powers in the organization
 - Valuations that are made based on judgments 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 relevant judgments and estimates, the Talgo Group reports in its annual accounts in one of the notes of the memory of those most relevant areas in which there are estimates and important accounting judgments, as well as, of the key hypotheses contemplated with respect to them.

In this sense, the main estimates made refer to:

- Estimated loss of goodwill
- Investments in investees
- Income tax, and assets and liabilities of a fiscal nature
- Recognition of income using the percentage of realization method
- Useful lives of property, plant and equipment and intangible assets
- Provisions

The procedures for reviewing and authorizing 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. 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 IT Systems department has established policies aimed at covering security in terms of access, through the access matrix and the segregation of duties with the definition of roles and resources, and the continuity of its operation, defining for this purpose a matrix of general controls structured around 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 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 requested 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.

During the fiscal year, valuations (valuation of assets and liabilities) and reports to independent experts have been required. In these cases, it is the Group's policy to work with firms of recognized reputation and independence as well as to execute the necessary controls to supervise compliance with the work of these experts, intended to verify their competence, training, accreditation or independence, as well as the validity of the data and methods used and the reasonableness of the hypotheses used.

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 year. 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 the financial information is carried out centralized in the subsidiary Patentes Talgo, there being a consolidation process broken down in which all the existing subprocesses are evidenced, personnel involved, locations, documentation used support and periodicity of the activities and controls that are carried out, among others. In this process, the financial statements reported by the subsidiaries of the Talgo Group in the established formats are used, as well as the rest of the financial information required for both the accounting homogenization process and the coverage of 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 centralized 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 2019, 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.
- Fiscal audit for the period 2012-2015 and its impact on the following years.
- 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 judgments 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.
- Review of the critical processes of the Group focusing in the following areas: Procurement, HR, Logistics and Sales.
- Monitoring the status of proposed action plans in the face of weaknesses detected.
- 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 2019, the Audit Committee held meetings at which the Internal Audit Department reported the results of the work performed and the action plans it had put in place to introduce 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 four times with the external auditors in 2019, and obtained information about regulatory updates, and the progress and 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. The Talgo Group has a Multi-year Internal Control Audit Plan that, amongst other things, established the procedure that is required to implement the corrective measures required after the development of the different work to supervise and review the controls established in the Group's main processes. Similarly, an established process exists for the supervision of the SCIIF defined by the Audit Committee, which contains aspects relating to the general criteria to apply in terms of the specific supervisory activities to which the SCIIF relates.



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The corresponding reports, which present the situation after the work has been performed, are evaluated by the members of the Audit Committee, together with the weaknesses identified during 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 2019.

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.
Compliant Explain

2. When the parent company and a subsidiary company list on the stock exchange, they should accurately disclose:
 - a) The respective areas of activity and possible business relationships between them, as well as those of the dependent company listed with the other companies in the group.
 - b) The mechanisms in place for resolving any potential conflicts of interest that may arise.
Compliant Partially compliant 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.
 - c) The specific reasons why the company does not follow any of the recommendations of the Code of Corporate Governance and, if they exist, of the alternative rules that apply in that matter.
Compliant Partially compliant Explain

4. The Company should define and promote a policy of communication and contact with shareholders, institutional investors and advisors with a right to vote, which is fully respectful of the rules against market abuse and ensures the similar treatment of shareholders who find themselves in the same position.
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.
Compliant Partially compliant Explain

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.

Compliant Partially compliant 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.
- d) Report about the policy regarding corporate social responsibility.

Compliant Partially compliant Explain

The company prepares all the reports indicated above, although only those that are mandatory in order to hold the Shareholder's General Meeting are published.

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

Compliant Explain

The Company publishes all of the information relating to the final Quorum, the composition of the General Shareholders' Meeting, and the results of the votes held on the resolutions immediately after the Meeting has finished.

8. The Audit Committee ensures 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.

Compliant Partially compliant 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.

Compliant Partially compliant 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 attendance card model or absentee ballot or proxy delegation form with the necessary modifications so that the new items on the agenda and alternative proposals can be voted on according to the same terms as those proposed by the board of directors.
 - c) Submit all those points or alternative proposals to vote and apply the same voting rules than those formulated by the board of directors, including, in particular, presumptions or deductions regarding the direction of the vote.
 - d) After the General Shareholders' Meeting, the Company should communicate the breakdown of the vote on all of the complementary points and alternative proposals.

Compliant Partially compliant 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.

Compliant Partially compliant 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 rules 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.

Compliant Partially compliant 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.

Compliant Explain

14. The Board of Directors should approve a policy for selecting Directors that:
- a) Is specific and verifiable.
 - b) Ensure that the proposals for appointment or re-election are based on a prior analysis of the Board of Directors.
 - b) Favours diversity in terms of knowledge, experience and gender.

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.

And the policy for selecting Directors should promote the objective that the number of female Directors should represent, at least, 30% of the total number Board members by 2020.

The Appointments Committee shall verify compliance with the Director selection policy on an annual basis and shall report its findings in the Annual Corporate Governance Report.

Compliant Partially compliant 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.

Compliant Partially compliant Explain

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 companies with large capitalization in which there are few shareholdings that have 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.

Compliant 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.

Compliant 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 about the other paid activities that you do whatever your nature.

c) An indication of the category of Director to which they belong, stating, in the case of Proprietary Directors, the shareholder that 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.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

Compliant Explain

22. The companies should establish rules that force the Directors to report and, where applicable, resign in those cases that may harm the Company's credibility and reputation and, in particular, that force them to report any criminal proceedings in which he appears as the accused, as well as any subsequent legal proceedings, to the Board of Directors.

And if a Director is prosecuted or brought to trial for any of the crimes mentioned in corporate law, the Board shall examine his case as soon as possible and, in light of the specific circumstances, shall decide whether or not it is appropriate for him to remain in office. Furthermore, everything that the Board is aware of shall be included, in a reasoned way, in the Annual Corporate Governance Report.

Compliant Partially compliant 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.

Compliant Partially compliant Explain Not applicable

24. When a Director leaves office before the end of his term, either because he resigns or for another reason, he should explain the reasons in a letter that should be sent to all of the members of the Board. And, notwithstanding the fact that this should be communicated as a significant event, the reason for the departure should be included in the Annual Corporate Governance Report.

Compliant Partially compliant 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 Rules of the Board should establish the maximum number of company boards on which its Directors may sit.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

Compliant 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.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

Compliant Partially compliant Explain

34. When there is a coordinating Director, the bylaws and Rules 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.

Compliant Partially compliant 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.

Compliant Explain

36. The Board plenary should evaluate, at least once a year, and adopt an action plan, where applicable, to correct deficiencies identified regarding:
- a) The quality and efficiency of the operation of the Board.
 - b) The operation and composition of its committees.
 - c) Diversity in terms of the composition and competencies of the Board.
 - d) The performance of the Chairman of the Board and the CEO of the Company.
 - e) 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.

Compliant Partially compliant Explain

The Appointments and Remuneration Committee periodically reviews the degree of performance of the functions attributed to the directors who, in turn, perform executive functions, as well as their degree of satisfaction - that of the directors. It also periodically analyses the profile of the board - the number of its members and the profile of each of them - in the light of the different challenges that the company has to face in order to detect in due time aspects that should eventually be reinforced. or correct

37. When there is an Executive Committee, the structure of the participation of the different categories of Directors should be similar to that of the Board of Directors and the Secretary of the Board should also serve as the Secretary of the Executive Committee.

Complies Partially compliant 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 compliant Explain Not applicable

39. The members of the Audit Committee and in particular, its Chairman, should be appointed taking into account their knowledge and experience in terms of accounting, audit and risk management, and the majority of the members should be Independent Directors.

Compliant Partially compliant Explain

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.

Compliant []

Partially compliant []

Explain []

41. The head of the unit who assumes the internal audit function should present his annual work plan to the Audit Committee, and report directly about any incidents arising during its implementation, as well as submit an activity report at the end of each year.

Compliant []

Partially compliant []

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 the preparation process and the completeness of the financial information relating to the Company and, where applicable, to the group, reviewing compliance with regulatory requirements, the appropriate 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, re-election and termination of the head of the internal audit services; propose the budget for this service; approve the direction and work plans, ensuring that its activity is focused primarily towards the most significant risks facing the Company; receive periodic information about 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 the employees to report, in a confidential way and, where possible and if appropriate, anonymously, any irregularities of potential importance, especially of a financial and accounting nature, that they identify in their positions in the Company.
2. In relation to 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 that the Company notifies the CNMV of the change of auditor as a significant event, and that its report is accompanied by a declaration regarding the potential existence of disagreements with the outgoing auditor and, if they exist, their contents.
 - 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.

Compliant [X] Partially compliant [] 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.

Compliant [X] Partially compliant [] 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.

Compliant [X] Partially compliant [] Explain [] Not applicable []

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

a) The different types of risk, financial and non-financial (amongst others, operating, technological, legal, social, environmental, political and reputational risks) 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.

Compliant [X] Partially compliant [] 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 functioning of risk control and management systems and, in particular, that all important risks that affect society are identified, managed, and quantified appropriately.

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.

Compliant [X] Partially compliant [] 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.

Compliant [X] Partially compliant [] Explain []

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

Compliant [] 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.

Compliant [] Partially compliant [] 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 contracts of senior management.

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 information on the remuneration of directors and Senior Executives contained in the different corporate documents, including the annual report on directors' remuneration.

Compliant [] Partially compliant [] 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.

Compliant [] Partially compliant [] Explain []

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

Compliant

Partially compliant

Explain

Not applicable

53. The job to supervise compliance with the rules of corporate governance, the rules of the internal codes of conduct and the rules pertaining to the corporate social responsibility policy should be attributed to one or shared amongst several Board Committees, which may be the Audit Committee, the Appointments Committee, the Corporate Social Responsibility Committee, if one exists, or a specialist committee that the Board of Directors, exercising its powers of self-organisation, decides to create for this purpose, to which the following minimum functions will be specifically attributed:
- a) Supervision of compliance with internal codes of conduct and the Company's corporate governance rules.
 - b) Supervision of the communication strategy and of the relationship with shareholders and investors, including small and medium-sized shareholders.
 - c) The periodic evaluation of the adequacy of the Company's corporate governance system, with the aim of enabling it to fulfil its mission to promote the corporate interest and taking into account, as appropriate, the legitimate interests of the other stakeholders.
 - d) Review of the Company's corporate responsibility policy, ensuring that it is focused on value creation.
 - e) Monitoring the strategy and corporate social responsibility practices and evaluating the degree of compliance.
 - f) Supervising and evaluating the processes relating to different stakeholder groups.
 - g) Evaluation of everything relating to the Company's non-financial risks, including any operating, technological, legal, social, environmental, political and reputational risks.
 - h) Coordination of the process for reporting about non-financial information and diversity, in accordance with applicable legislation and international standards of reference.

Compliant [] Partially compliant [] Explain []

The functions included in letters a), b), g) and h) are assigned to the Audit Committee and those included in letter e) to the Strategy Committee.

54. The corporate social responsibility policy should include details of the principles or commitments that the Company assumes voluntarily in its relationship with the different stakeholder groups and it should identify, at least:
- a) The aim of the corporate social responsibility policy and the development of support tools.
 - b) The corporate strategy relating to sustainability, the environment and social questions.
 - c) The specific practices in questions relating to: shareholders, employees, clients, suppliers, social questions, the environment, diversity, fiscal responsibility, respect for human rights and prevention of illegal behaviour.
 - d) The methods or systems used to monitor the results of the application of the specific practices described in the previous paragraph, the associated risks and their management.
 - e) The mechanisms for monitoring non-financial risk, ethics and business conduct.

- f) The channels of communication, participation and dialogue with stakeholders.
- g) Responsible communication practices that prevent the manipulation of information and protect the integrity and honour of the Company.

Compliant [X] Partially compliant [] Explain []

55. The Company should report, in a separate document or in its management report, about matters relating to corporate social responsibility, using one of the internationally accepted methodologies established for that purpose.

Complies [X] Partially compliant [] Explain []

Information on corporate social responsibility is provided through the Management Report and the Non-Financial Information Statement of the Group's consolidated annual accounts.

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.

Compliant [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.

Compliant [X] Partially compliant [] 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.

Compliant [] Partially compliant [] Explain [] Not applicable []

Criteria a) and c) are met since objectives are established for the accrual of the variable that are determined and measurable, and the achievement of medium and long-term objectives (for example, MIPs) is also taken into account.

59. The payment of a significant proportion of the variable components of remuneration should be deferred for a minimum period of time that is sufficient to enable checks to be performed to verify that the performance conditions established previously have been met.

Compliant [] Partially compliant [] 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.

Compliant [] Partially compliant [] 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 compliant Explain Not applicable

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

62. Once the corresponding shares or share options or rights over shares have been allocated to the remuneration systems, the Directors may not transfer ownership of a number of shares equivalent to twice their fixed annual remuneration, nor may they exercise the options or rights until a period of, at least, three years has elapsed since their allocation.

This shall not apply to shares that Directors need to transfer, where applicable, to meet the costs relating to their acquisition.

Compliant Partially compliant 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.

Compliant Partially compliant 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.

64. Payments for contract terminations should not exceed an established amount equivalent to two years of total annual remuneration, nor should payments be made until the Company has been able to check that the Director has complied with the performance criteria previously established.

Compliant Partially compliant 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 July 20th, 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:

27/02/2020

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

Yes
 No