

REPORT AND PROPOSAL OF THE APPOINTMENTS AND REMUNERATION COMMITTEE IN RELATION TO THE APPOINTMENT OF MARIO ÁLVAREZ GARCIA AS DIRECTOR OF TALGO, S.A. WITH THE CATEGORY OF EXTERNAL INDEPENDENT DIRECTOR.

This report is issued by the Appointments and Remuneration Committee of TALGO, S.A. ('Talگو' or the 'Company') in accordance with the provisions of article 529 decies of the Spanish Companies Act in relation to the proposed appointment as director of Mr. Mario Álvarez García.

Pursuant to the provisions of article 10.2 of the Regulations of the Board of Directors of the Company:

“The proposed appointments and re-elections of Directors that the Board of Directors presents for consideration by the General Shareholders' Meeting and the appointment decisions of the Board of Directors, in its legally assigned powers of co-option, must be preceded by:

- (i) the corresponding proposal by the Appointment and Remuneration Committee in the case of Independent Directors, which must be accompanied by an explanatory statement evaluating the competence, experience and merits of the proposed candidate; or*
- (ii) the report of the Appointment and Remuneration Committee in the case of the remaining Directors, which must assign the new Director to one of the categories defined in these Regulations.”*

Likewise, article 26 of the same Regulations, when listing the powers of the Appointments and Remuneration Committee, establishes in section (ii) letter (c):

“Propose appointments of Independent Directors to the Board of Directors for appointment by co-option or for the decision of the General Shareholders' Meeting, and propose re-elections or removals of Independent Directors to the General Shareholders' Meeting.”

And in letter (p) of the same section (ii):

“On the appointment, ratification or re-election of Directors, draw up a report describing the result of the previous analysis of the needs of the Board of Directors, which will be published with the call for the General Shareholders' Meeting that will decide on the ratification, appointment or re-election of each director.”

Pursuant to the provisions of the Law and the Corporate Governance System, the proposal for ratification and re-election as director of Mr. Mario Álvarez García, who must be assigned to the category of independent director, is submitted to the shareholders at the General Shareholders' Meeting upon a proposal of the Appointments Committee.

This framework report assesses the competence, experience and merits of the proposed candidate for the position of director under the terms of article 529 decies of the Capital Companies Act.

The Appointments and Remuneration Committee considers it advisable for the Board of Directors to have members with proven experience in the legal sector and, particularly, in the commercial, contractual and corporate fields in order to reinforce the guarantees of compliance with the rules on Corporate Governance in connection with the development of the industrial activity in the railway sector and business management. In this sense, this Committee reports favourably on the profile of Mr. Álvarez García and values very positively his deep knowledge of the company, his skills and experience, because they fit the needs of the Company that have been previously analysed, as well as his knowledge of the railway sector.

In drawing up this appointment proposal, the Committee has taken into account the suitability of the candidate's professional profile to the particularities of the business carried out by the Company and the sector in which it operates, its international nature and, especially, his level of performance to date. In this regard, the Committee considers that all of its members adequately combine sufficient skills and competencies in the following areas: a) knowledge of the sector in which the Company operates; b) experience and knowledge in legal, economic-financial and industrial aspects, in contractual negotiation processes, management of human teams and in regulatory frameworks; c) international experience and knowledge of the most relevant geographic markets for the Company and d) experience and knowledge in management, leadership and business strategy.

Mr. Álvarez García's curriculum vitae and track record accredits his competence as a director, his merits to hold the position of director, his extensive experience in markets relevant to the Company and its group and his in-depth knowledge in various legal and business fields, which guarantees the contribution of plural points of view to the discussion of matters in the Board of Directors. As a whole, the proposal for the appointment of director submitted to the General Shareholders' Meeting contributes to maintaining a high percentage of independent directors and consolidates the high level of quality in its composition.

Finally, the Appointments Committee has verified that Mr. Álvarez García meets the requirements of honorability, suitability, solvency, competence, experience, qualifications, education, availability and commitment to the functions of the position, and that he is not involved, directly or indirectly, in any of the causes of incompatibility, prohibition, conflict or opposition of interests with the corporate interest.