

**DIVERSITY POLICY OF THE BOARD OF DIRECTORS
OF TALGO S.A. AND DIRECTOR CANDIDATE
SELECTION POLICY**



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I. Introduction

The Board of Directors of TALGO S.A. (hereinafter, the “**Company**” or “**TALGO**”) recognises transparency in all of its actions, as one of the key elements of its corporate governance strategy, including the process for selecting candidates for the Board of Directors and the diversity of the Board of Directors.

On 15 February 2015, the Board of Spain’s National Securities and Exchange Commission approved the Code of Good Governance for Listed Companies.

In its Recommendation 14, the aforementioned Code of Good Governance establishes that *“the Board of Directors approves a selection policy for directors that: a) is specific and verifiable; b) ensures that nominations for appointments and re-elections are grounded in a prior analysis of the needs of the Board of Directors and; c) promotes diversity in terms of knowledge, experience and gender”*.

Similarly, on 25 November 2017, Royal Decree Law 18/2017, dated 24 November, was published in the Official State Gazette, which modified the Commercial Code, the revised text of the Capital Companies Act approved by Royal Decree Law 1/2010, dated 2 July, and Law 22/2015, dated 20 July, governing the Audit of Accounts in terms of non-financial information and diversity.

In this regard, and in accordance with the new wording of Article 540.4.c, subsection 6 of the Capital Companies Act, listed limited companies must include in their Annual Corporate Governance Report *“a description of the diversity policy applied in relation to the Board of Directors, including its objectives, the measures adopted, the manner in which those measures have been applied and the results thereof during the reporting period, as well as the measures that, where appropriate, the Appointments Committee has agreed in this regard”*.

In this context, the Board of Directors of TALGO S.A. has approved this diversity policy for the composition of the Board of Directors and the public selection of director candidates, which is specific and verifiable, and which ensures that nominations for

the appointment of Company directors are grounded in a prior analysis of the needs of the Board of Directors and guarantees that the Board of Directors is characterised by diversity in terms of knowledge, experience, origins, nationalities, age and gender.

II. Purpose and scope of application

The Diversity Policy for the Board of Directors of TALGO, S.A. and the Selection of Directors has the aim of ensuring that nominations for the appointment and re-election of Directors are grounded in a prior analysis of the needs of the Board of Directors of the Company and promote diversity in terms of knowledge, training and professional experience, age and gender, without suffering from implicit biases that may imply discrimination of any kind, in particular, due to gender, disability or any other personal condition.

To this end, this Diversity Policy shall be applied to the election of director candidates who are physical persons and, in the event that director candidates are legal persons, to the election of the physical persons who act as their representatives.

III. Selection process

The selection of candidates for TALGO's Board will follow the principles detailed below:

1. The Board of Directors shall have a balanced composition, with an ample majority of non-executive directors and an appropriate split between proprietary and independent directors.
2. The Board of Directors shall ensure that the selection process for directors promotes diversity in terms of knowledge, training, professional experience, age and gender, without suffering from implicit biases that may imply discrimination of any kind. All of this, to ensure that the Board of Directors has a diverse and balanced composition that, as a whole: (i) enriches analysis and

debate; (ii) contributes diverse points of view and positions; (iii) facilitates decision-making; and (iv) enjoys absolute independence.

Likewise, the Board will ensure that candidates for non-executive director positions have sufficient time available to be able to properly perform their functions.

3. Similarly, the process for selecting candidates for the Board shall be based on a prior analysis of the needs of the Company and the Group. This analysis shall be carried out by the Board of Directors of the Company, on the basis of advice and following a mandatory justification report from the Appointments and Remuneration Committee, and as established in the Regulations governing the Board of Directors of the Company.

4. This justification report from the Appointments and Remuneration Committee shall be published when the General Shareholders' Meeting to which the ratification, appointment or re-election of each director shall be submitted is convened.

5. Each year, the Appointments and Remuneration Committee shall verify compliance with the Diversity Policy for the Board of Directors of TALGO, S.A. and the selection of directors and shall report its findings in the Annual Corporate Governance Report and in those other documents that it deems appropriate.

IV. Director candidates.

1. The Board of Directors – and the Appointments and Remuneration Committee - shall ensure, within the scope of their remit, that nominations for candidates that are submitted to the General Shareholders' Meeting for appointment or re-election as Directors, and appointments that are made directly to cover vacancies in the exercise of their powers of co-optation, shall fall to honourable and suitable people, with recognised solvency, competence, experience, qualifications, training,

availability and commitment to their function. It shall also ensure that the selection of candidates achieves an appropriate balance across the Board of Directors as a whole, to enrich decision-making and contribute diverse points of view to the debates held about the matters within its remit.

2. In the event that a director is a legal person, the physical person that represents it, in the exercise of the duties inherent to the position of director, shall be subject to the same requirements indicated in the previous section. The incompatibilities and enforceable duties established for directors in the Corporate By-Laws, in the Regulations governing the Board of Directors and in this present document, shall also be applicable to him/her in a personal capacity.

In relation to this, director candidates shall be persons of recognised prestige, solvency, training and professional experience, especially in the fields of railway services, economics-finance, technology (either in IT or mechanical train sense), accounting, audit, legal, risk management and/or business administration, with leadership in teams formed by people belonging to different areas of activity, and extensive knowledge in large companies.

V. Diversity in the composition of the Board

Efforts shall be made to ensure that the selection of candidates achieves a diverse and balanced composition of the Board of Directors as a whole, to enrich decision-making and contribute diverse points of view to the debates held about the matters within its remit.

In this sense, the Board of Directors assumes the commitment to promote diversity in its composition and, to that end, the director candidate selection process shall assess candidates with profiles whose appointment favours the diversity of the director group in terms of their abilities, knowledge, experience, origins, nationalities, age and gender.

The criteria of diversity shall be chosen on the basis of the nature and complexity of the businesses carried out by the Company and its Group, as well as the

social and environmental context in which it is present. In addition, depending on the needs of the Board of Directors, other criteria may also be taken into consideration.

The candidate selection process shall avoid any type of bias that may imply discrimination of any kind, including for reasons of gender, ethnic origin, age or disability, amongst others. In particular, any type of bias that hinders the appointment of female directors and that may prevent the fulfilment of the objective established by the National Securities and Exchange Commission, whereby the number of female directors shall account for at least 30% of all Board members by 2020, shall be avoided.

The Board of Directors shall periodically evaluate the degree of compliance and effectiveness of the National Securities and Exchange Commission, its Diversity Policy and, in particular, the percentage of female directors on the Board at any given time. Moreover, the Annual Corporate Governance Report will include a detailed description of that Policy, as well as of the objectives set in that regard and the results obtained.

VI. Grounds for incompatibility established by Law or by the Corporate Governance System

People who are subject to any legal incompatibility for the performance of their role may not be considered as director candidates, nor may those who do not meet the requirements established by the Company's Corporate Governance System, included in the Regulations governing the Board of Directors to become directors. In particular, the following persons may not be considered as director candidates:

- a) Companies, domestic or foreign, and those whose major shareholder, directly or indirectly, holds a stake, directly or indirectly, in a company that operates in the railway sector or other sectors, as a competitor of the Company, as well as directors or senior managers thereof and persons who, where appropriate, were nominated by them in their capacity as shareholders.
- b) Persons who, in the two (2) years prior to their possible appointment, have held senior positions in public administrations that are incompatible with the

performance of their duties as a director of a listed company, in accordance with regional or state legislation, or have held positions of responsibility in any sector in which the company carries out its activity. In any case, the appointment, ratification and re-election of directors must comply with the provisions of the law and the Rules governing the Company's Corporate Governance System.

c) Physical or legal persons that are subject to any other case of incompatibility or prohibition governed by the general rules, including those who may have interests that are opposed to those of the Company or any of the companies in the Group, in any way.

VII. External validation

The Company may rely on collaboration from external advisors to validate that director candidates meet the conditions referred to in Section IV and that they are not subject to any of the impediments set out in Section VI.

The Company's policy for the selection of directors is contained in the Regulations governing the Board of Directors, approved by the General Shareholders' Meeting held on 28 March 2015, and was expanded and amended by agreement of the Board of Directors on 22 February 2018.