

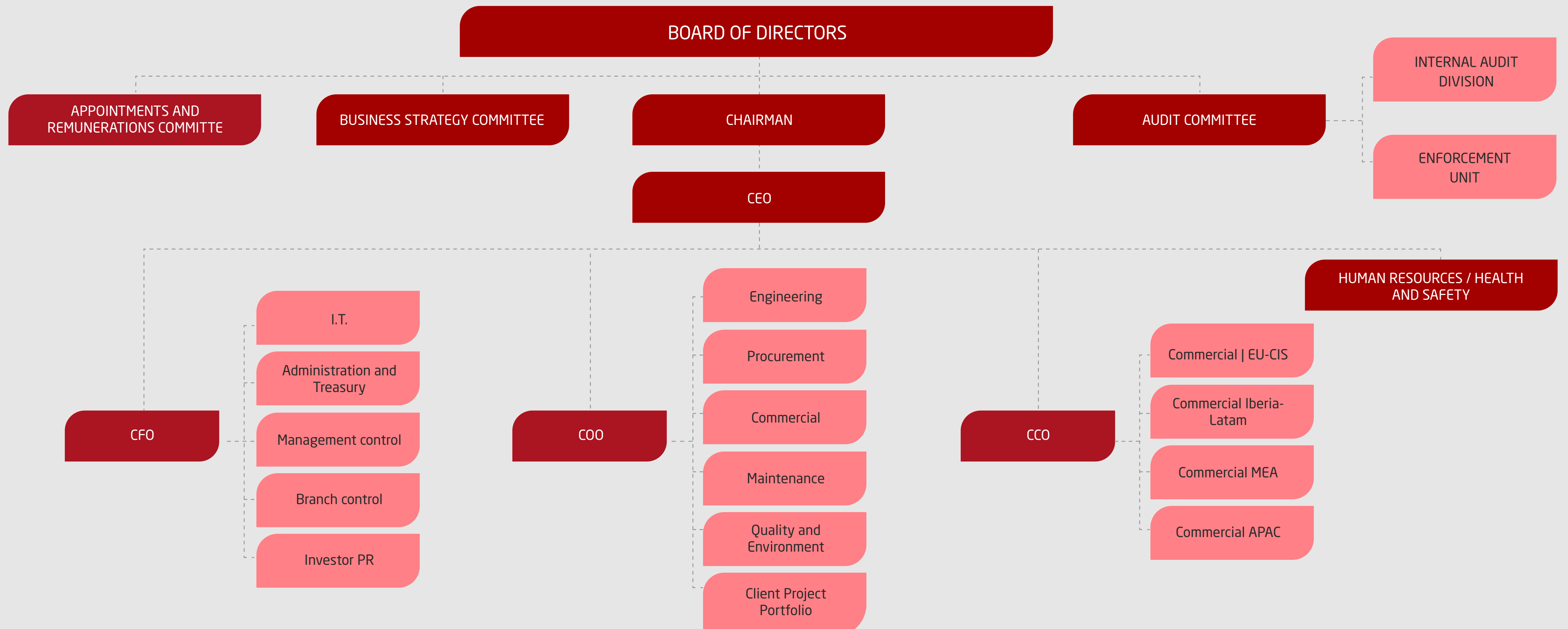
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Good Governance

- **3.1** Corporate governance structure
- **3.2** Risk management
- **3.3** Ethics and compliance



3.1 Corporate governance structure



3.1 Corporate governance structure

General Shareholders Meeting

In accordance with the Articles of Association, it is the sovereign body of the company and has the power to decide on all matters vested in it by law or the Articles of Association.

The Ordinary General Meeting of Shareholders was held in person and by electronic means on 29 March 2022 on first call, in accordance with the regulations in force at the time of the meeting and was attended by 279 shareholders owning 95,135,654 shares, accounting for 77.069% of the share capital. The final quorum of attendance exceeded 50% of the subscribed voting share capital required by article 193 of the Spanish Limited Liability Company Law, to which article 18 of the Articles of Association refers for the valid constitution of the General Meeting on first call.

The **results of the votes and the agreements approved in 2022** can be found on **Talgo's Investor Portal**, in the Investor Information section.

Board of Directors

It performs 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 in a way that fosters

continuity, sustainable development and the maximisation of the Company's economic value. Throughout 2022, the Board of Directors of Talgo met a total of 11 times with a percentage of attendance in person of the total votes during the year of 93.4%.

In order to comply with best corporate governance practices, the number of members of the Board of Directors was reduced from 15 to 10 during the financial year 2022. They are re-elected every four years, coinciding with the term established by company regulations.

The Board periodically evaluates its functioning and that of its committees, with the support of an external consultant of repute. As a result of the evaluation exercise carried out in 2021, the Board

Talgo reduced the size of the Board of Directors from 15 to 10 members to adapt to best governance practices in 2022.

agreed to continue along the same lines in defining the strategy: to increase the focus on corporate sustainability, to pay attention to business opportunities and to further improve the risk control system and its implementation.

Members of the Board of Directors

MR CARLOS DE PALACIO

Executive Chairman

MR GONZALO URQUIJO FERNÁNDEZ DE ARAOZ

Chief Executive Officer

MR JOSE MARÍA ORIOL FABRA

Non-Executive Vice-Chairman

MR FRANCISCO JAVIER BAÑÓN TREVIÑO

(Proprietary)

MR EMILIO NOVELA BERLÍN

Independent Director Coordinator

MR ANTONIO OPORTO DEL OLMO

(Independent)

MS MARISA PONCELA

(Independent)

MR JACK POPE

(Independent)

NUEVA COMPAÑÍA DE INVERSIONES, S.A.

Represented by Mr Pedro del Corro García-Lomas (Proprietary)

PEGASO RAIL INTERNATIONAL, S.C.A.

Represented by Mr Javier Olascoaga (Proprietary)

MS MARÍA JOSÉ ZUECO PEÑA

(Non-Director Secretary)

MR MARIO ÁLVAREZ GARCÍA

(Non-Director Vice-Secretary)

3.1 Corporate governance structure

The Regulations of the Board of Directors regulate the duties and obligations of directors, especially with regard to situations of conflict of interest, which must be disclosed at any time they may be of interest to the company.

Talgo's Board of Directors currently has three Committees and their respective functions:

- **Audit Committee**, an internal informational and consultative body that oversees the proper functioning of the information and internal control systems, comprising Mr Emilio Novela Berlín as Chairman and Ms Marisa Poncela García and Pegaso Rail Internacional SCA (Mr Javier Olascoaga) as members. In 2022 it met 5 times.
- **Appointments and Remuneration Committee**, an internal body with powers of evaluation and control of corporate governance, with Mr Antonio Oporto del Olmo as Chairman and Mr Jack Pope and Mr Javier Bañón Treviño as members. In 2022 it met 2 times.
- **Strategy and Sustainability Committee**, an internal body with powers to provide technical support to the Board of Directors in relation to the organisation and strategic coordination of Talgo, with Mr Antonio Oporto del Olmo as Chairman and Mr José María Oriol Fabra, Pegaso Rail Internacional SCA (Mr Javier Olascoaga), Ms Marisa Poncela García and Mr Gonzalo Urquijo Fernández de Aroz as members. In 2022 it met 2 times.

Board remuneration policy

Talgo has an attractive and competitive Remuneration Policy for its directors. It is designed by the Appointments and Remuneration Committee according to criteria of transparency, clarity and simplicity that make it easy to understand. The Remuneration Policy consists of a fixed remuneration for independent directors. Executive directors do not receive any remuneration in their capacity as directors, and the remuneration received for their scope as executives consists of fixed remuneration, salary supplements and variable remuneration determined on the basis of financial and non-financial objectives, as well as personal objectives.

Total remuneration to the Board of Directors in 2022 was 2,498 million euros. The average remuneration earned by female members of senior management during the financial year 2022 amounted to 160 thousand euros, while the average remuneration earned by male members of senior management amounted to 190 thousand euros.

The remuneration of directors is extensively detailed in note 20 of the consolidated annual report of Talgo S.A. and subsidiaries and with greater detail in the **2022 Annual Report on Directors' Remuneration** of Talgo S.A. and the information broken down by age and gender of directors is included in the **Annual Corporate Governance Report (ACGR)**, both available on the Talgo Investors' portal and the CNMV (Spanish National Securities Market Commission).

2022 Remuneration - Executive directors (thousands of €)

Fixed remuneration	929
Variable remuneration	0
Net profit from shares or vested financial instruments	800
Remuneration from savings schemes	17
Other items	103
Total executive directors	1,849

2022 Remuneration - Non-Executive directors (thousands of €)

Fixed remuneration	530
Remuneration for seats on committees	119
Total external directors	649

3.2 Risk management

Talgo has implemented a risk management model, approved and monitored by the Audit Committee, and ultimately led and governed by the Board of Directors, which applies to all subsidiaries and permanent establishments in all countries where it operates. The driving force behind Talgo's risk management is the current risk management policy, along with its principles and guidelines, which has been in force since 2020.

Coinciding with the reassessment of critical risks 2020, such risks are systematically studied in the company at the beginning of each year, the model is reviewed and improvements are introduced to maintain a updated and consolidated system over time, where the consolidation of a culture of risk prevention and mitigation and internal control is a crucial aspect of its successful operations.

Talgo's organisational model is based on the lines of defence model, which covers responsibilities from the business to the governing bodies, according to the following scheme:

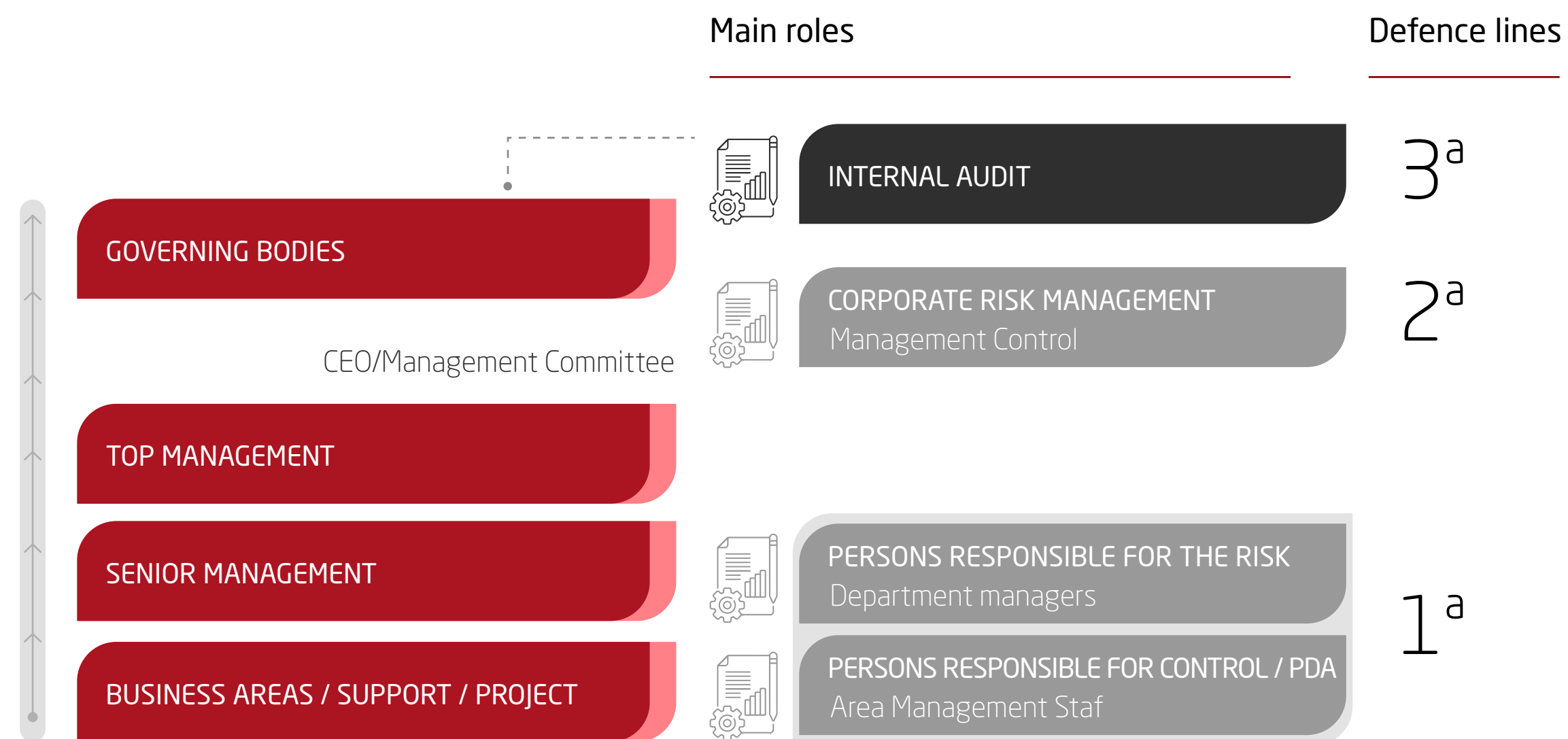


Table of risks

Talgo has defined a risk framework that identifies the main risks related to the environment and regulatory, financial, financial reporting, fraud and compliance and industrial risks. Both the particular risks indicated in each section and the control measures applied can be consulted in the **2022 Corporate Governance Report** published on the Talgo website (pages 42-44).



3.2 Risk management

Risk management in 2022

In 2022, the main risk management actions were the following:

- Updating the Risk Map for 2022, prioritising Talگو's critical risks.
- Quarterly internal monitoring with all risk owners, of controls and action plans and KRIs, with definition of new indicators, measurement systems and adjustment of tolerance levels of the aforementioned indicators.
- Fostering a risk management culture in the different areas of the company and standardising the joint assessment process.
- Explicitly distinguish non-financial risks relating to corporate sustainability in a new risk category.

The reliability of the financial information is ensured through the internal control over financial reporting system (ICFR) and, in accordance with the established relationship frameworks, the following stakeholder requirements have been met:

- **Shareholders and investors:** More information regarding risk and remuneration that may affect their investments.
- **Credit institutions:** Information for financing negotiations Growing demand for inputs that help them assess the outlook for the company's business in the medium and long term.
- **Clients:** Information on the company's risks in pre-bidding processes.

Likewise, Talگو's website in 2022 has been used to provide due transparency on risk management through the publication of the Talگو 2021 sustainability and responsibility report.




Digitalisation and cybersecurity

At Talگو, digitalisation focuses on efficiency, cost reduction, improved engagement with customers and stakeholders, competitiveness and improved capacity to face the future, new product and service functionalities and corporate sustainability. At the same time, it presents a challenge and a risk to the cyber security of enterprise systems, as a vehicle for dealing with growing and increasingly dangerous cyber attacks and for ensuring information privacy and the eradication of intellectual capital leakage.

Both concepts come together in the global Digital Transformation project (Digital GO) with which, over the last 5 years, the Talگو Group has accelerated the digitalisation and adaptation towards Industry 4.0, both in the field of manufacturing and maintenance.

For its part, the Strategic Cybersecurity Plan, whose processes are certified under the ISO27001 standard and which participates in other standards and norms such as IRIS or ISO31000, has focused in 2022 on evolving towards industrial cybersecurity standards, as well as reinforcing protection and supervision measures in order to be prepared for future threats and new generation cyberattacks. This has earned it recognition from the CISOVERSO community of cybersecurity experts with the "CISOVerso 2022" award for outstanding implementation of a cybersecurity programme.

Cybersecurity

	2022	2021	Change
 Contained security incidents (<72 hours)	100%	96%	4.2%
 Email frauds dealt with	893	857	4.2%
 Economic losses: cybersecurity incidents	0	0	0%



3.3 Ethics and compliance

Ethics is one of the key pillars of the professional performance model of Talgo's staff, and is conceptualised as sustainable, ethical and responsible management (SER).

Key activities in 2022

Talgo's strong and growing international presence has led to the transformation of its compliance programme to align with international best practices, with the establishment of a common process of assessment, monitoring and control of compliance risks under the principle of "zero tolerance towards the commission of criminal acts" and, in particular, against any form of corruption. This is embodied in the Group's anti-fraud and anti-corruption policy.

The mission of the compliance programme is to contribute to Talgo's sustainability and good reputation by promoting compliance with all applicable laws and the Code of Ethics, based on an effective risk management system.

The Code of Ethics encourages anyone to report any non-compliance with legislation or internal policies.

The company promotes the use of the Ethics Channel, a confidential system that can be accessed via the company's intranet or website (www.talgo.com) and which it has outsourced through the company "i2Ethics" to provide it with the greatest independence in management.

The compliance unit is in charge of the forensic investigation process and the drafting of the proposal for action on the basis of the Code of Ethics complaints received through the ethics mailbox. Of particular significance in this area are the anti-fraud and anti-corruption policies and the harassment protocol.

ETHICS	2022	2021	Change
Nº of complaints pursuant to Code of Ethics	3	6	-50%
Nº of complaints pursuant to Code of Ethics analysed and in progress	0	0	N/A
Nº of complaints resolved	3	6	-50%
Nº of complaints pursuant to Code of Ethics with corrective actions	0	0	N/A
Nº of people with awareness raising and training in values, code of ethics and target behaviour	383	459	-16.5%

COMPLIANCE	2022	2021	Change
Meetings of the Compliance Committee	5	6	-16.7%
Internal compliance initiatives (including S&R, etc.)	15	15	0
External compliance initiatives	4	4	0
Compliance-related training	5	5	0
No. of people trained (crime prevention)	300	254	18.1%
Contributions made to political parties and/or representatives (financial or in kind: in thousands €)	0	0	N/A



3.3 Ethics and compliance

Transparency and communication

Talgo has a transparency and communication strategy that is carried out through its own media (corporate websites and social media), and in collaboration with specialised agencies with local, national and international reach to generate the greatest possible impact, depending on each territory.

During the 2022 financial year, the strategy was updated with the objective of a systematic implementation of planning in operational decision-making with an impact on communication and transparency. In this field, Talgo employees were informed of the rules and recommendations regarding personal actions relevant to external communication, in line with the current Communication Policy.

The most significant communication activities were as follows:

- Coverage of the biennial international trade fair Innotrans (2022 Edition), the largest in the sector and the only one of its kind in the world, with a larger presence than in previous editions.
- Joint campaign with customer Deutsche BA to provide open and transparent coverage of the ICE L train manufacturing process.
- Joint campaign with client Renfe Operadora to cover the presentation of the works for the reform and implementation of connectivity systems in 130/730 series trains.
- Dissemination of the milestone Commercial Commissioning of the project for the construction, commissioning and maintenance of day trains in Egypt.
- Campaign in the Spanish market to communicate the most significant technical milestones in the complex process of technical approval of the Renfe 106 Series trains.
- Own media campaign to publicise the 80th Anniversary of Talgo 1942-2022.
- Own media campaign to publicise the technical milestone First Autonomous Movement of a Hydrogen train with batteries in Spain, Talgo's TPH2 train.
- Joint announcement with Petronor of the signing of an agreement with the Provincial Council of Alava for the creation of a centre for the research, development and manufacture of trains powered by hydrogen fuel cells
- Joint communication of the creation of the Shyne consortium, a Spanish multi-sectoral consortium to promote renewable hydrogen.
- Joint announcement with the European Investment Bank on the Green Loan Signing milestone
- Publicity campaign in the Basque Country to promote awareness of the implementation of Talgo in Rivabellosa (Álava) and its influence as a driver of employment and industry in the hinterland of the Arasur-Miranda de Ebro areas.
- Joint celebration and dissemination of the Talgo Awards for Technological Innovation (XIX edition) and the Talgo Award for Professional Excellence for Women in Engineering (III edition).
- Organisation and dissemination of open house type visits to various institutional bodies and citizens, to provide a direct, on-site look at the manufacturing activities at the Las Matas II facilities.

- Dissemination of Talgo's participation in the Diversity Charter initiative, which promotes inclusion in companies and institutions.
- Collaboration in the dissemination of the Talgo Foundation's activities.
- Promotion of collaboration with the foundation, Fundación de los Ferrocarriles Españoles.
- Active collaboration with various organisations dedicated to promoting knowledge of the railway (Friends of the Railway).

	2022	2021	Variación
N° of Facebook followers	2,041	1,458	40%
N° of Twitter followers	4,910	3,960	24%
N° of LinkedIn followers	125,930	111,829	12.6%
N° of YouTube followers	6,750	6,260	7.8%