

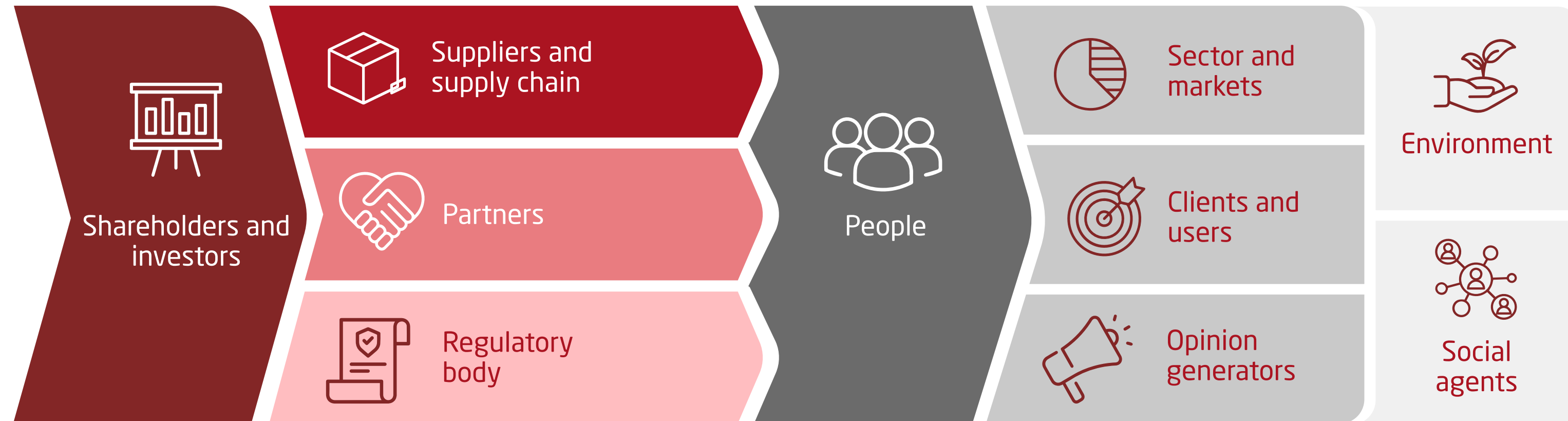
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Business sustainability and responsibility

- **4.1** Clients
- **4.2** Accionistas e inversores
- **4.3** Empleados
- **4.4** Medioambiente
- **4.5** Proveedores
- **4.6** Sociedad



Stakeholder map



Talgo is developing a new materiality management model through the strategic project PEP01041 for the identification of relevant issues (material issues) of the business and their subsequent materiality analysis. Its development has been structured in two phases and will be completed in 2023, taking into account dual materiality analysis factors (GRI, SASB, AccountAbility, IIRC, EFRAG), which implies taking into account both risks and opportunities from financial and non-financial perspectives.

The identification phase was completed in 2022 by using six types of analysis (internal and external): management, stakeholders, trends and innovations, prescribers (especially GRI 2), benchmarking (competitive and functional) and sustainability experts. In this analysis, 59 possible material themes were identified, grouped into six categories, of which 24 themes have been selected internally.

Corporate governance and business defence

- 01 Responsible corporate governance.
- 02 Sustainable business and financial strength.
- 03 Risks and materiality.
- 04 Ethical conduct and compliance.

Sustainable and responsible management

- 05 Human rights: due diligence.
- 06 Dialogue and transparency with stakeholders.
- 07 Contribution to S&R initiatives (SDGs and Global Compact).

Value chain

- 08 Responsible sales and customer management.
- 09 Responsible procurement and supply chain management.
- 10 Sustainable and responsible projects.
- 11 High quality, sustainable, safe and differentiated products and services.
- 12 Responsible manufacturing and circular economy.
- 13 Quality, innovation and knowledge.
- 14 Cybersecurity and confidentiality.
- 15 Technology, digitalisation and strategic intelligence.

People

- 16 Safety, health and welfare.
- 17 Human capital, talent and diversity.
- 18 Culture and job satisfaction.

Environmental footprint and contribution to the environment

- 19 Climate change.
- 20 Environmental impact.
- 21 Contribution to the environment.

Social footprint and contribution to society

- 22 Participation and contribution to peoples and communities.
- 23 Social action and development.

Communication and transparency

- 24 Responsible communication and transparency.

4.1 Customers

Talgo has a commercial and customer management policy and a fair competition policy, together with an extensive network of sales representatives around the world, particularly in the areas of greatest railway activity such as India, North Africa, the Persian Gulf, Latin America and EU countries, with the aim of helping identify sales opportunities, providing advice on local regulations, support in the preparation of administrative and technical aspects of the offers that involve requirements that are consolidated under the ISO 9001, ISO 14001, IRIS, ISO 21500 and EPD standards to guarantee their quality.

Progress in 2022

In 2022, Talgo continued to consolidate markets and collaborate with existing customers. For example, it won a contract in Egypt for the purchase of seven night trains and their maintenance or the expansion of RENFE and Uzbekistan's fleet services projects.

In the past year, it continued the processing of introducing Most Economically Advantageous Tender (MEAT) requirements in customer valuation matrices is becoming more and more common. It will likely be transposed into European legislation in the coming years. These criteria prioritise non-economic aspects in tendering processes and better value for money, with special emphasis on sustainability aspects (energy consumption, CO2 emissions in the value chain from the procurement of materials to the end of life of rolling stock, etc.) and eco-design (recyclability and recoverability of products and services, lower obsolescence and extension of useful life periods).



Nº of customers in the year		Nº of new customers in the year	
17	17	1	0
2022	2021	2022	2021

4.1 Customers

Claims and complaints

In 2022, six complaints were received through the formal channel managed by the quality department. All complaints received are analysed, answered and, where appropriate, corrective action is taken to mitigate and prevent recurrence.

Talgo has a systematic process for measuring and controlling the quality of solutions and the degree of customer satisfaction, which also takes into account the measurement of the passenger experience, something that has a very important influence on loyalty and prescription on the part of customer operators. The evaluation process takes place between December and February.



Complaints and claims (C&C)	2022	2021	Change
Total customer complaints and claims	6	7	-14.3%
C&C: bidding process (trains)	0	1	-100%
C&C: project management and delivery (trains)	3	2	50%
C&C: maintenance services (trains)	2	3	-33.3%
C&C: equipment for maintenance	1	1	0%

Customer satisfaction (out of 5)	2022	2021	Change
Satisfaction with Talgo reputational value (global level)	3.7	4.0	-7.5%
Satisfaction with bidding process (trains)	3.8	3.8	0%
Satisfaction with project management and delivery (trains)	3.9	3.7	5.4%
Satisfaction with maintenance services (trains)	3.9	3.9	0%
Satisfaction with equipment for maintenance	3.9	4.03	-3.2%

For 2023, Talgo has set for itself the strategic goal of integrating sustainability and responsibility commitments (privacy, etc.) into the customer management policy, including commitments required by the future EU corporate sustainability due diligence directive.



4.2 Shareholders and investors

The global economic outlook deteriorated through 2022, causing expected global GDP growth rates to decline repeatedly and raising fears of recession. Geopolitical instability and economic uncertainty, as well as trade tensions between major economies and rising inflation, have triggered the onset of a cycle of balance sheet reduction and interest rate increases by central banks, thus causing high volatility.

Rising labour and material costs put pressure on companies' profits, causing operating earnings per share to decline during the year.

As a result, capital markets were highly volatile, turning in a negative performance in the euro area and a historic performance in the case of the US, generating significant losses in both global equities and bonds, with only certain commodities registering significant gains.

The S&P 500 fell by almost 20% while the Eurostoxx 50 recorded losses of close to 12% for the year. In Spain, the Ibex-35 was down 6%. Talگو's shares were hit hard by market expectations about the impact of inflation and supply chain disruptions on its business, resulting in a 39% price drop for the year.

Thus, the share started the year 2022 with declines until reaching a low of €2.47 in October, before starting a progressive recovery that led it to close the year at €3.30.



4.2 Accionistas e inversores

Talgo's average daily trading volume for the year increased significantly, up +87% to 175,000 shares traded daily.

In addition, the Board of Directors approved to submit to the Annual General Meeting a remuneration programme of 10 million euros, which was approved by the Annual General Meeting and implemented during the year. This programme was implemented through, on the one hand, a Flexible Dividend or Scrip Dividend, which provides the opportunity of receiving the dividend in cash or in shares according to the shareholders' preferences and, in addition, a Share Buyback Programme whose purpose is to eliminate the dilutive effect coming from the issue of new shares which were delivered to 83% of the shareholders who elected to receive the dividend in shares.

The 10 million euro Remuneration Programme presented and approved in 2022 reinforces Talgo's commitment to its shareholders.

Stock data table (as at 31 December 2022)

Talgo share price data as at 31 December 2022

123,442,425

Number of listed shares

124,312,973

Number of shares in 2022

3.36

Price (€)

414.80

Market capitalisation (Millions of euros)

Talgo share price data in 2022

Variación del precio de la acción

-39.2%

Change in share price

258

Number of trading days (days)

5.50

Maximum listed price (€)

2.47

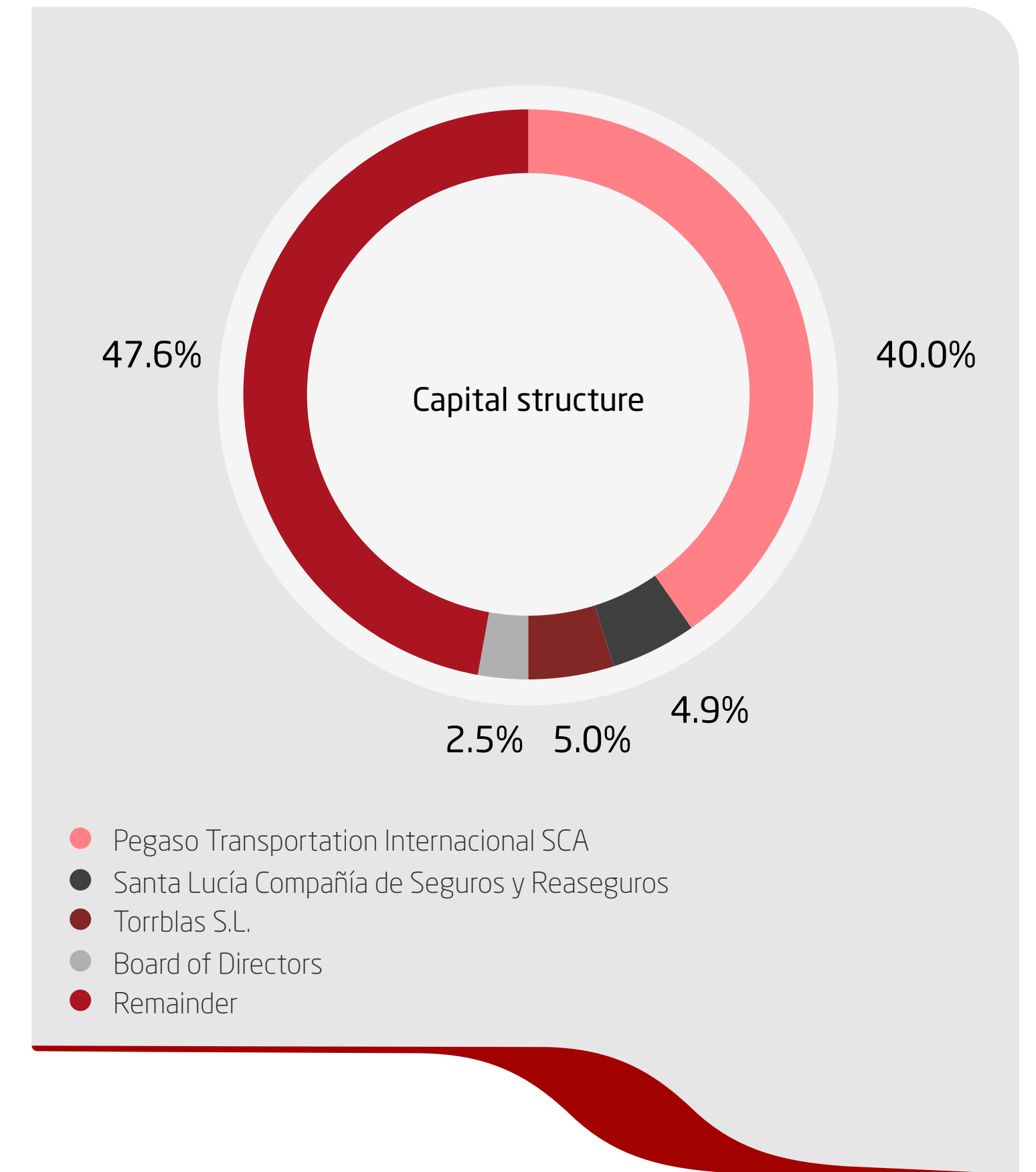
Lowest listed price (€)

3.51

Weighted average share price (€)

174,483

Average daily trading volume (thousands of shares)



4.3 Employees

Employment, organisation, staffing and compensation

The Talgo Group has a high degree of employment stability, as reflected in its permanent hiring rate of 91% in 2022. Talgo's workforce in 2022 averaged 2,733 people (1,865 in Spain and 868 in subsidiaries), an increase of 2.36% compared to 2021. Of these, 88% were on permanent contracts and 12% on temporary contracts and 32 traineeships were taken up. It is worth noting that, in the 745 new hires during the year, a balance was maintained to give opportunities to both those between 16 and 30 years old (306) and professionals over 30 (391), but especially the focus continues to be on attracting more experienced talent and 48 hires over 50 years old were made.

In 2022, the average salary at Talgo Spain for a person in their first year of employment and belonging to the middle management group was €48,394.89, which is 245.68% higher than the minimum wage for Spain in that year (€14,000). For people belonging to the group Technicians, administrative and others, the average salary for the year 2022 who have earned in the year 2022 and who work at Talgo Spain is €27,312.91, which is 95.09% higher than the minimum interprofessional wage in Spain in that year.



	2022	2021	Change
Average number of people in the financial year	2,733	2,670	2.36%
- Men	2,349	2,303	2.00%
- Women	384	367	4.63%
Frequency rate ⁽¹⁾	9.96	8.51	
Severity rate ⁽²⁾	0.22	0.25	

Professional classification	Female	Male	Total
Senior management	2	5	7
Address	8	46	54
Middle management	70	341	411
Technical, administrative and other	304	1,957	2,261

	2022	2021	Change
Average salary per person	42,376.6	37,025.0	14.4%
Average management salary	126,623.3	111,077.3	14.0%
Average salary of middle managers	59,834.4	52,127.0	14.8%
Average salary of administrative and other staff	37,193.3	32,830.9	13.3%

(1) Industrial accidents per million hours worked. Talgo FTEs.

(2) Number of working days per 1,000 hours worked. Talgo FTEs.

4.3 Employees

Diversity, equal treatment and opportunities

Talgo has an equality committee made up of members of management and workers' representatives, which, among other functions, is responsible for promoting the implementation of the equality plan that the group implements and for monitoring and evaluating the degree of compliance with the measures adopted.

Year after year, Talgo works to implement measures that enable greater balance and gender equality in different positions and departments, continuing in 2022 with initiatives that increase the participation of women in positions of responsibility:

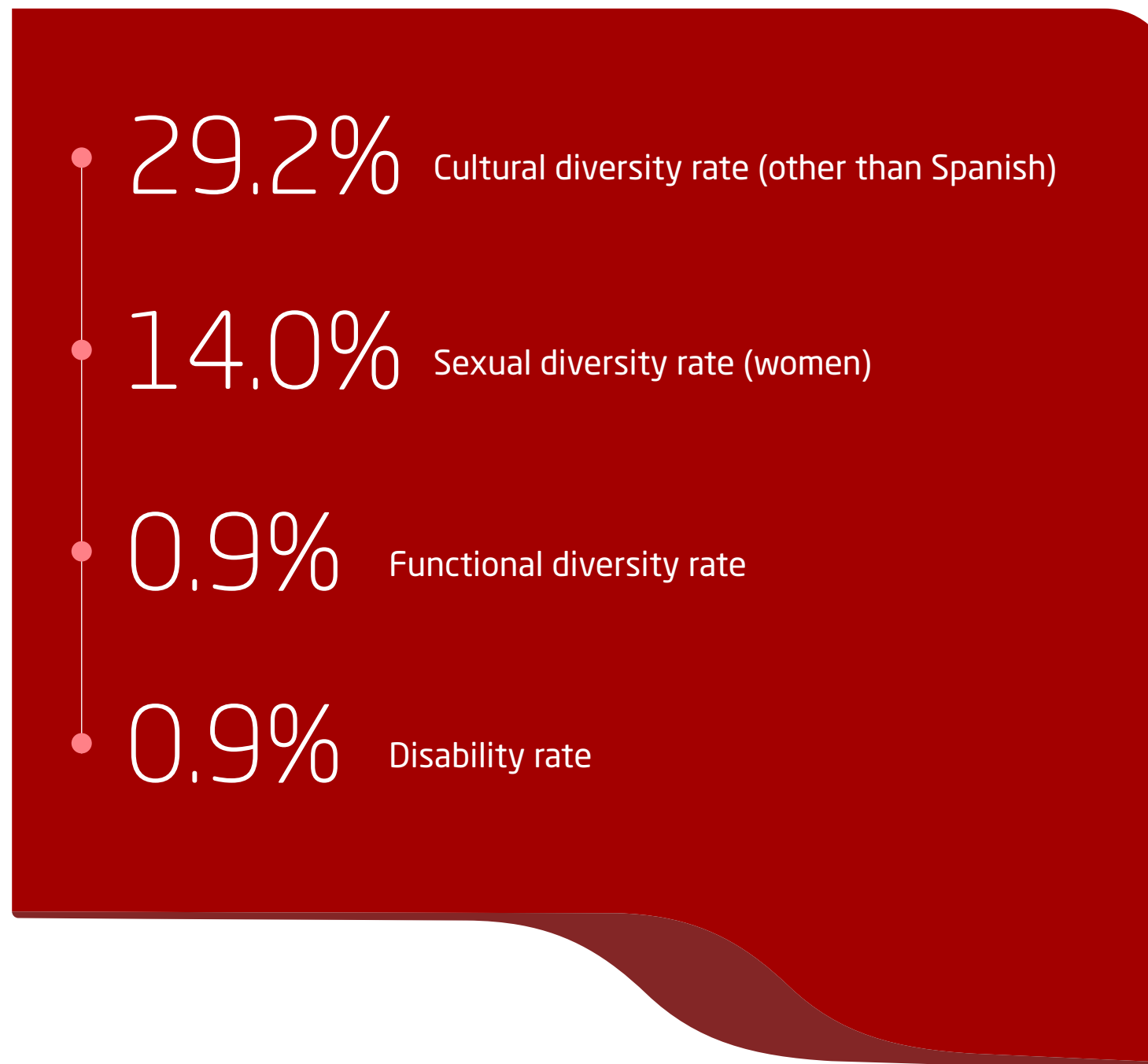
- The "Take the Lead" programme, accompaniment and leadership programme for women.
- Management development programme "Women engineers and managers", in collaboration with the Nebrija University.

In addition, Talgo awards the annual Prize for Professional Excellence for Women in Engineering in Spain. This award promotes the relevance of women in both engineering and industry by recognising their work and dedication.

In Spain, Talgo has ethics committees in each of its work centres, which are responsible for ensuring compliance with the harassment protocol and resolving any interpretation or doubts in its application.

Talgo continues to be a member of the Charter for Diversity, an initiative led by the Diversity Foundation, which demonstrates the company's commitment to the directives promoted by the European Commission on diversity and non-discrimination.

Likewise, this commitment to diversity is evidenced by the renewal of the "CEO for Diversity" alliance that promotes innovation in diversity, equity and inclusion strategies in Spanish companies, an initiative of the Adecco Foundation and the CEOE.



Labour integration of groups at risk of exclusion

At the end of the 2022 financial year, the Talgo Group had 27 employees with a disability of more than 33%, of whom 7 are women and 20 are men. These people are represented in all categories of the workforce.

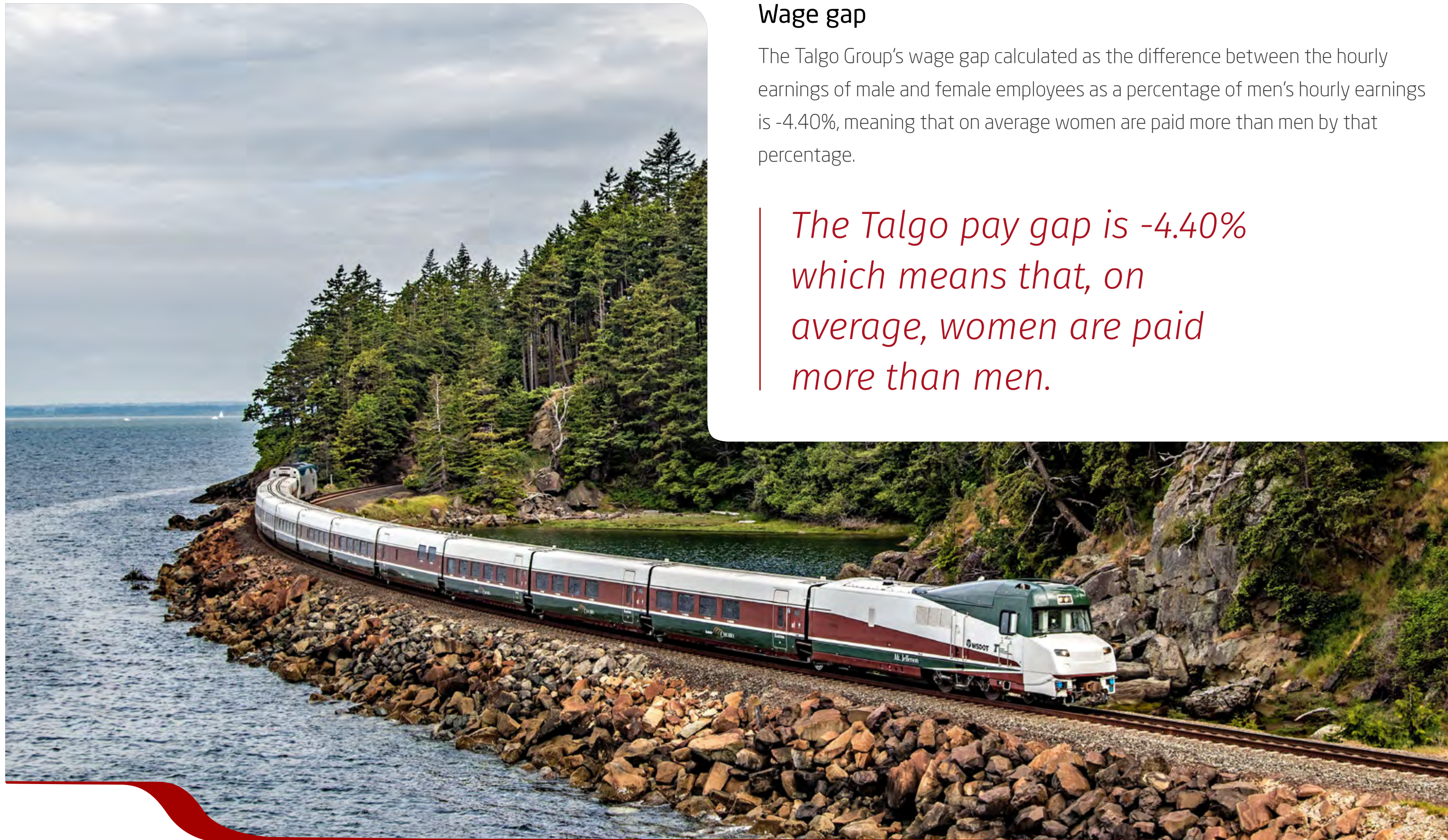
Talgo España, as it does not directly cover the number of disabled employees (2% of people with a disability equal to or greater than 33%), has a certificate of exceptionality from the Ministry of Labour and Social Security that allows it to implement "alternative measures" that contribute to the development of activities for the insertion and reintegration of disabled people into the labour market, thus complying with the established rate.

In addition, also during the past year, Talgo has contributed, through the agreement signed with the Adecco Foundation, to the "Employment for All Project" through which more than 4,000 people have joined the labour market, 3,000 of whom are people with disabilities, and also to the "Mental Health Project" through which more than 800 people have started working.

The Group has carried out training and awareness-raising initiatives during 2022, giving visibility to the International Day of Persons with Disabilities, World Down's Syndrome Day and World Mental Health Day, etc.

Within the framework of the agreement signed with the Adecco Foundation since 2007, Talgo Spain has been developing a programme called "Plan Familia" (Family Plan) to provide advice, guidance and development of skills and abilities for family members of employees up to 65 years of age who have a disability. During 2022, the Family Plan has assisted 21 people with disabilities, family members of Talgo employees. These people have benefited from therapies with psychologists, speech therapists, physiotherapists and other health professionals that have allowed them to improve their skills and, in some cases, enhance their employability.

4.3 Employees



Wage gap

The Talgo Group's wage gap calculated as the difference between the hourly earnings of male and female employees as a percentage of men's hourly earnings is -4.40%, meaning that on average women are paid more than men by that percentage.

The Talgo pay gap is -4.40% which means that, on average, women are paid more than men.

	2022	2021	Change
Executive wage gap	1.5%	6.9%	-78.3%
Middle management pay gap	1.8%	2%	-10%
Technical, administrative and other wage gaps	-4.9%	-8.3%	-41%

Dialogue, communication and attention to people

The organisation respects the right of all employees to organise freely, and allows union members to hold meetings, collect dues and distribute union information outside working hours and without disrupting the business of the company.

The number of Talgo Group employees with full or partial coverage of the collective bargaining agreement or similar collective agreements depending on the country concerned amounted to 2,872 employees as at 31 December 2022.

Talgo has implemented various initiatives that have encouraged the involvement, commitment and enthusiasm of its workforce:

- Integration actions aimed at improving relations between teams: paddle tennis tournament and the celebration of Talgo's 80th anniversary.
- Recognition actions among employees: Talgo Awards in which employees vote for their own colleagues in different categories, in recognition of the promotion of equality, fairness and non-discrimination among employees.
- Actions aimed at promoting corporate volunteering: VolunTalgo Programme

4.3 Employees

- The “Francisco Mellado” programme to raise awareness of technical careers for students in the 4th year of ESO.
- Employee idea competitions for different company projects and initiatives.
- “International Days at Talgo”, aimed at raising awareness, reflection and employee participation through the celebration of different international or world days.
- Employee survey to assess aspects such as communication, thoroughness, transparency, efficiency of communication, etc.
- Consolidation of the “Conversations with the CEO” programme.
- Project to redefine the corporate intranet to improve the flow of internal information.

Turnover

In recent years, Talgo has not carried out any personnel restructuring other than that resulting from the pandemic. For the company, and due to the high technical knowledge of its professionals, it is a priority to comply with an adequate knowledge transfer process that guarantees the retention of this knowledge in the organisation. In 2022, 96 people were involuntarily terminated.

The Group's voluntary turnover rate in 2022 was 11.38%. Broken down by gender, the Group's voluntary turnover rate in 2022 for women was 12.27% and 11.23% for men.

Talent and career development

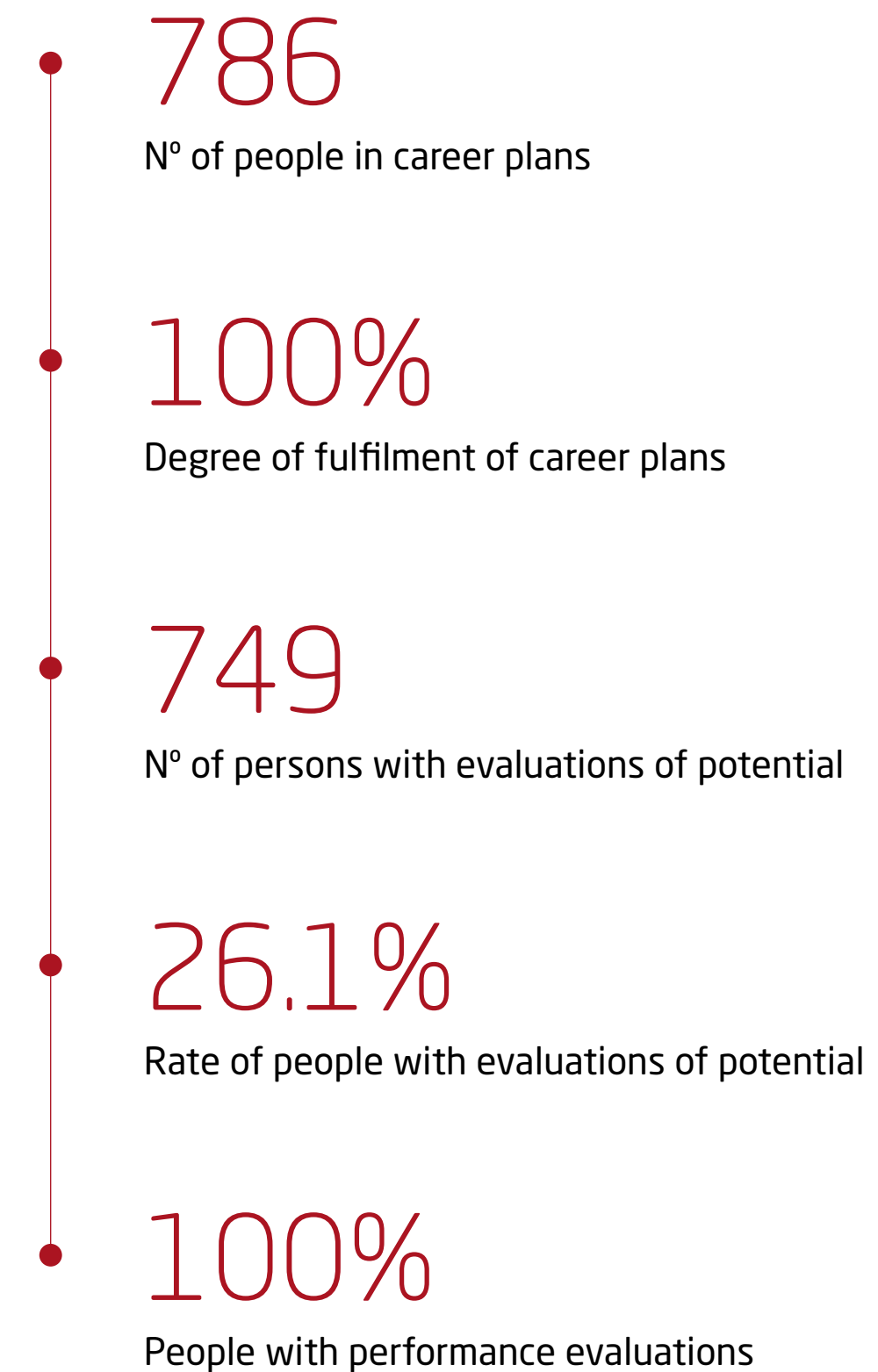
Talgo has a talent attraction system based on best practices in the market which, together with its attractiveness as an employer, make Talgo a good place to develop as a professional.

In 2022, various measures have been implemented with the aim of involving and encouraging employees in the culture, corporate values and making visible the professional development opportunities that make Talgo a great company to work for.

During 2022, 18 internal promotion processes were carried out and 37 people were expatriated. External talent is sourced from referral recruitment sources to ensure the diversity of the people who apply for the different positions. In addition, Talgo believes that its employees are the best brand ambassadors and therefore launches the “bring a friend” initiative, which rewards employees who provide qualified external candidates to join the company.

In addition, Talgo has collaboration agreements with numerous universities, training centres, foundations and associations in order to generate a competitive and quality job offer.

Over the past year, Talgo has redefined and implemented the induction training programme for people joining the manufacturing and maintenance workshops, including technical, health and safety, internal procedures, etc. training.



4.3 Employees

Training

Talgo has a comprehensive annual training plan for the entire organisation that includes actions aimed at developing skills, competencies for project execution, technical, regulatory and occupational risk prevention aspects, ethical and crime prevention aspects, not to mention language training provided through the company's language school.

In 2022, Talgo provided more than 133,000 hours of training, 41.6% more than in 2021.

In the Talgo Group, 131,718 training hours were provided in 2022, with the ratio of training hours per employee being 48.02 hours, an increase of 41.6% and 38.1% respectively compared to 2021. Talgo has continued to ensure staff training through the digitalisation of training content and by transferring face-to-face training to virtual classrooms, using new training methodologies and tools.

In order to achieve a new style of leadership, the Group has worked on the training and development of the company's managers, with the collaboration of prestigious business schools such as Deusto. During the year, 58 people have gone through these programmes and the process will continue in 2023.

	2022	2021	Change
Total number of training hours	131,717.9	93,036.0	41.6%
Nº of training hours per employee (average per year)	48.2	34.9	38.1%
Nº of hours of online training	16,067.1	7,296.0	120.2%
Nº of hours of classroom training	115,650.8	85,741.0	34.9%

Occupational health and safety

In 2022, multiple projects and activities have been carried out with the aim of improving and consolidating the working conditions of Talgo employees and collaborators:

- Development of the documentary structure under the ISO 45001 reference standard, in order to be able to audit the system in the first half of 2023.
- Improvement in the monitoring of indicators at the level of the entire group and of the employees who work continuously at Talgo's facilities.
- Design and implementation of an occupational health and safety management process in the corporate management system with the necessary sub-processes and regulations. System developed under the specifications of the ISO 45001 standard.
- Design and implementation of a model of alliances with service providers to align health and safety cultures and minimise accident rates.

- Design and implementation of a method to identify incidents, accidents, sick leave, occupational diseases and hours worked in the supply chain (short-term, level 1).
- Follow-up and control of accidents at the main supplier reporting the highest levels of accidents, with reviews of the cause analysis and action plans derived from them.
- Study for the implementation of a possible "Social Welfare" system. Analysis of existing models, scope and international value. Development of initiatives, especially in the area of psychological support, to be included in a group-wide social welfare programme.
- Development of the accident investigation module in the 6 Connect tool.
- Implementation of the management tool in the countries of the CIS area and Arabia, as planned, with the inclusion of the rest of the subsidiaries for other years.
- Implementation of the new job-specific risk training courses.



4.3 Employees

In addition, a psychological, emotional and social care service for employees and their families called "We take care of you" has been launched. Since July, when the service began, it has handled 35 cases. This service was complemented by the celebration of "Mental Health Month", during which staff were made aware of mental health issues and efforts were mobilised to help improve mental health as a source of personal wellbeing. During the month of October, conferences related to suicide prevention, mental health and the management of emotions took place.

	2022	2021	Change
Nº Accidents (total)	188	197	-4.57%
Number of accidents with sick leave	53	43	23.26%
Frequency rate ⁽¹⁾	9.96	8.51	
Severity rate ⁽²⁾	0.22	0.25	
Deaths per accident	0	0	0%

Work/life balance

As part of the measures aimed at facilitating work/life balance, 77 employees took parental leave in 2022.

Other key measures implemented in 2022 include:

- Continuous working days for people from the manufacturing and maintenance areas.
- Flexible start and finish times, in addition to a reduced working day in summer for corporate offices.
- Subsidy of part of the cost of meals or equivalent assistance if there is no canteen at the centre, for people with a split working day.
- Staggering of annual holidays for certain groups.
- Detailed weekly and monthly information on working days, working hours and planned breaks.
- Annual medical check-up and flu vaccination campaigns.
- Private medical insurance coverage for international travel.
- Supplement of 100% of salary for temporary incapacity.

Since 2020 Talgo has implemented a voluntary remote working measure for those who are able to work remotely. It also offers employees the possibility of adapting their working hours in order to reconcile their personal lives.

Finally, Talgo has a digital disconnection measures agreement that guarantees the right to digital disconnection for all employees at the end of the working day.



	2022	2021	Change
Nº of employees on maternity leave	10	21	-52.4%
Nº of employees on paternity leave	67	128	-47.6%
Return to work rate (maternity)	70.0%	-	
Return to work rate (paternity)	92.5%	-	

(1) Industrial accidents per million hours worked. Talgo FTEs.

(2) Number of working days per 1,000 hours worked. Talgo FTEs.

4.4 Environment

The Talgo Group has a management system on which all environmental and sustainability measures are developed.

- Products that drive the development of the circular economy and eco-design**
- Transparent and consolidated ems (based on ISO 14001)**
- Minimising impacts and improving sustainability**
- Fight against climate change**

Development of the circular economy and eco-design

The manufacture of trains, based on eco-design, involves the use of materials with high recyclability and recoverability values. Activities carried out in the organisation in this area include the verification and publication of the Environmental Product Declaration (EPD) of the Talgo Avril model in 2022.

The most noteworthy results obtained in this first Environmental Product Declaration of the Talgo Avril for its configuration with 581 fixed-width seats are:

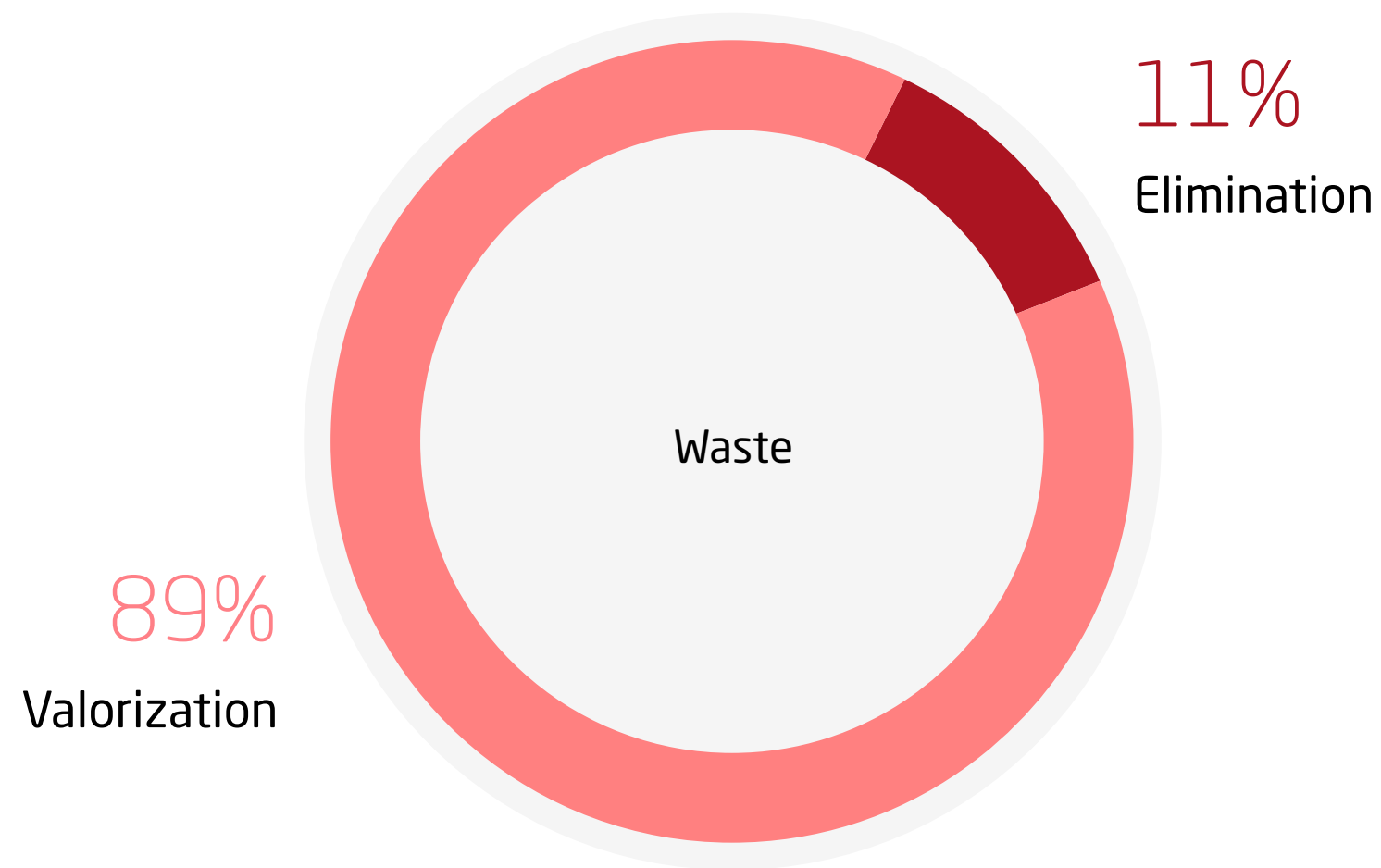
- A 93.8% recyclability rate of the materials that make up the train.
- A low level of carbon dioxide emissions during the use phase of the train, emitting 8.56 g of CO₂ equivalent per passenger kilometre. This value confirms Talgo Avril as the high/very high speed train with a published Environmental Statement with the lowest CO₂ emission levels.

Meanwhile, development continued in 2022 of a hybrid train allowing flexible operation (hydrogen or electric) designed for Talgo's commuter/Regional Vittal platform. A scalable solution with plug and play concept, which will also allow it to be applied in other train models and in conversions from diesel to hydrogen.

Talgo is committed to caring for the environment both in its management and in the creation of eco-sustainable products.

4.4 Environment

Another important aspect of the circular economy is the management of waste from train manufacturing and maintenance processes. The following graph shows the recovery rates (recycling, recovery, etc.) versus disposal of hazardous and non-hazardous waste generated in manufacturing activities:



Minimising environmental impacts and improving sustainability

As a factor in minimising Talگو's environmental impact, 100% of the energy consumed at the group's manufacturing centres in Spain comes from renewable sources. Along these lines, the installation of solar panels at Talگو-owned factories in Spain is planned for 2023 to promote self-consumption of energy.

Data and indicators	2022			2021			Change Consolidated
	Spain	Subsidiaries	Consolidated	Spain	Subsidiaries	Consolidated	
Sustainable operations and products							
1.- Energy consumption							
Electricity (kwh)	8,869,593	1,247,036	10,116,629.04	9,934,383	968,693	10,903,076.00	-7.2%
Electricity from renewable sources (%)	100%	N/D	N/D	100%	N/D	N/D	N/D
Electricity from non-renewable sources (%)	0%	N/D	N/D	0%	N/D	N/D	N/D
Fuels: natural gas boilers (KWH*)	6,663,219.0	244,582.6	6,907,801.6	7,439,085.0	193,756.7	7,632,841.7	-9.5%
Fuels: automotive diesel (m³)	30.9	N/D	N/D	48.25	N/D	N/D	-35.9%
Fuels: boiler oil (m³)	88.0	4.6	92.5	231.7	N/D	231.7	-150.0%
Energy intensity (kWh/employee)	11,972	14,688	26,660	15,283	11,742	27,025	-1.0%
2.-Consumption of materials and other products							
Paper (t)	9.9	N/D	N/D	8.7	N/D	N/D	N/D
Water consumed (m³)	16,391.3	1,163.8	17,555.1	21,986.3	-	21,986.3	-20.1%
Solvents and paints (t)	26.9	N/D	26.9	31.9	N/D	31.9	-15.7%

4.4 Environment



Data and indicators	2022			2021			Change Consolidated
	Spain	Subsidiaries	Consolidated	Spain	Subsidiaries	Consolidated	
Sustainable operations and products							
3.- Waste management							
Hazardous waste generated (t)	156.6	6.3	162.9	189.1	N/D	N/D	-13.9%
Hazardous waste for recycling (t)	45.2	N/D	N/D	45.8	N/D	45.8	-1.3%
Hazardous waste for reuse (t)	34.2	N/D	N/D	35.4	N/D	N/D	2%
Hazardous waste for other valorisation operations (t)	11.6	N/D	N/D	18.1	N/D	N/D	35.9%
Hazardous waste for incineration with energy recovery (t)	6.3	N/D	N/D	5.2	N/D	N/D	21.1%
Hazardous waste for incineration without energy recovery (t)	0.0	N/D	N/D	0.0	N/D	N/D	N/D
Hazardous waste for landfill (t)	33.7	N/D	N/D	32.5	N/D	N/D	3.7%
Hazardous disposal for other disposal operations (t)	25.4	N/D	N/D	51.0	N/D	N/D	-50.2%
Non-hazardous waste generated (t)	1,640.5	90.36	1,730.83	2,114.0	N/D	N/D	-18.1%
Non-hazardous waste for recycling (t)	1,389.5	6.3	162.9	1,721.5	N/D	N/D	-19.3%
Non-hazardous waste for reuse (t)	0.0	N/D	N/D	0.0	N/D	N/D	0%
Non-hazardous waste for other valorisation operations (t)	142.7	N/D	N/D	392.5	N/D	N/D	-63.6%
Non-hazardous waste for incineration with energy recovery (t)	0.0	N/D	N/D	0.0	N/D	0.0	N/D
Non-hazardous waste for incineration without energy recovery (t)	0.0	N/D	N/D	0.0	N/D	0.0	N/D
Non-hazardous waste for landfill (t)	86.7	N/D	N/D	N/D	N/D	N/D	N/D
Non-hazardous disposal for other disposal operations (t)	21.52	N/D	N/D	N/D	N/D	N/D	N/D

(1) The program and environmental projects have corporate scope (parent and all subsidiaries)
 (N/A) Data not available.
 The maintenance centers of the subsidiaries are owned by the client companies and several other companies work in their facilities, in addition to Talgo.

4.4 Environment

Transparent and consolidated Environmental Management System

Talgo's Environmental Management system has been certified since 2003 in accordance with the UNE-EN ISO 14001 standard, the scope of which covers all activities carried out by Talgo in Spain.

To ensure environmental protection, Talgo applies the principle of prevention, provision and guarantee through the following actions:

- Proper waste management by authorised waste managers.
- Update and review of environmental legislation and compliance thereof.
- Conduct of internal and external audits.
- Maintenance of sewage treatment plants.
- Analysis of wastewater.
- Improvement of processes with environmental impact to prevent pollution.
- Training and awareness-raising of the involved partners.

Talgo has an environmental liability insurance policy pursuant to Spanish Law 26/2007, of 23 October, on Environmental Liability, by which economic or professional operators covered by the law are obliged to adopt and implement measures to prevent, avoid and repair environmental damage and to cover the costs thereof when they are responsible for such damage, whatever the amount. The coverage of this insurance is considered sufficient taking into account the diagnosis of risks and controls to mitigate them that the Group has in place. In addition, there is a civil liability insurance for environmental damage.

Data and indicators	2022			2021			Change Consolidated
	Spain	Subsidiaries	Consolidated	Spain	Subsidiaries	Consolidated	
Environmental management: strategy, deployment and system							
Fulfilment of the annual environmental programme	N/A	N/A	67.0%	N/A	N/A	75.0%	-10.7%
No. of environmental projects implemented ⁽¹⁾	N/A	N/A	2	N/A	N/A	1	100%
Environmental investments (€)	105,713	102,911	208,623	291,252	N/D	291,252	28.4%
Scope of the environmental management system (% of persons)	84%	N/D	74 %	84%	N/D	74%	0%
Rate of implemented corrective and preventive actions	4	N/A	4	4	N/A	4	0%
Environmental accident rate	0	0	0	0	0	0	0%
Costs of managing expired products (€)	132,040	N/A	132,040	132,859	N/D	132,859	-0.6%
Deviations in internal and external audits closed after the deadline	0	N/A	0	0	N/A	0	0%
Environmental compliance							
Environmental fines for non-compliance or other reasons	0	0	0	0	0	0	0%
Environmental sanctions, proceedings and arbitration	0	0	0	0	0	0	0%

4.4 Environment

Combating climate change

In 2022, Talgo set a global target of reducing direct emissions per unit of production by 5%, as part of its commitment to the need to control and reduce the greenhouse gas emissions it generates in the course of its activities.

To monitor greenhouse gas (GHG) emissions and identify improvements to reduce them, an annual carbon footprint report is drawn up based on the GHG Protocol methodology. Emissions are thus expressed in kilograms of carbon dioxide equivalent.

For the calculation of emissions generated during the year 2022, the Calculator of the Ministry for Ecological Transition and Demographic Challenge (MITECO) is used together with the emission factors defined in the National Greenhouse Gas Inventory (1990/2006 - 1990/2020).

GHG reduction measures



Scope 1

Improved insulation in manufacturing centres to reduce natural gas consumption, elimination and/or replacement of generators identified as a major source of GHG emissions.

Scope 2

Maintain the 100% renewable origin of electrical energy consumed in the centres.

Scope 3

increase the service provided to the organisation's staff to travel to work centres by means of company buses and, additionally, by providing a carpooling app to encourage carpooling.

Data and indicators	2022	2021	Change
Climate Action			
CO ₂ emissions: factories and workshops. Scope 1 (tCO ₂ eq)	1,765	2,369	-25.5%
CO ₂ emissions: indirect. Scope 2 (tCO ₂ eq)	323	251	28.7%
CO ₂ emissions: other indirect. Scope 3 (tCO ₂ eq)	N/D	N/D	6.9%
GHG emissions intensity Scope 1+2 (tCO ₂ eq/employee)	4.78	4.57	4.6%
GHG emission intensity Scope 3 (tCO ₂ eq/employee)	N/D	N/D	6.7%
Emission of substances affecting the ozone layer (kg)	0	11.72	-100%

Data and indicators	2022	2021	Change
Electricity (kwh)	10,116,629.04	10,903,076.00	-7.2%
Electricity from renewable sources (%)	100% (*)	100% (*)	0% (*)
Electricity from non-renewable sources (%)	0% (*)	0% (*)	0% (*)
Fuels: natural gas boilers (KWH*)	6,907,801.6	7,632,841.7	-9.5%
Fuels: automotive diesel oil (m ³)	30.9 (*)	48.2(*)	-35.9% (*)
Fuels: boiler oil (m ³)	92.5	231.7	-150%
Energy intensity (kWh/employee)	26,660.0	27,024.9	-1%
Paper (t)	9.9% (*)	8.7 (*)	13.7%
Water consumed (m ³)	17,555.1	21,986.3	-20.1%
Solvents and paints (t)	26.9	31.9	-15.7%

(*) Data for Spain only. Subsidiaries N/A.

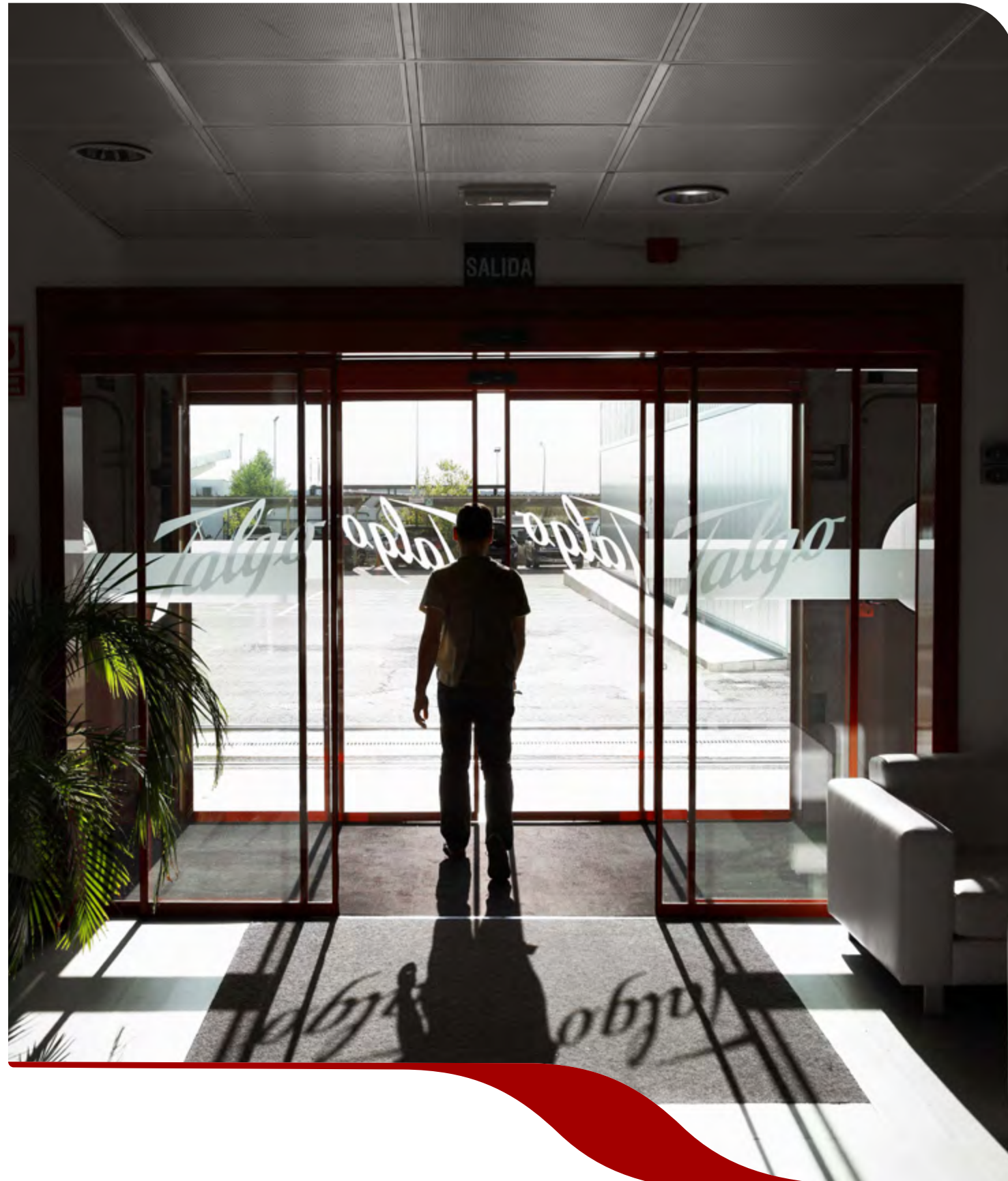
4.4 Environment

Care for biodiversity

In addition to the above, Talgo is committed to the care and protection of biodiversity. It aims to ensure that its activities are compliant with applicable legal requirements, and to promote a high level of environmental awareness among its workforce. A clear example is the Las Matas 2 centre, which borders a Protected Natural Area (PNA), namely the Cuenca Alta del Río Manzanares Regional Park, without causing damage to the biodiversity contained in this therein as a result of the exhaustive control of emissions, discharges and waste resulting from the activity carried out at this centre.



4.5 Suppliers



The newly implemented "Procurement" organisation is responsible for this element of the Talgo Group's value chain and the purchasing policy underpins its actions with due attention to social, labour (including equality and equity), ethical and environmental issues.

The new multiannual Strategic Procurement Plan (PEC) 2022-2026 contains the main lines of action, strategies and initiatives to achieve the vision of the plan by 2026. This is reviewed on a quarterly basis, verifying the degree of compliance with the objectives in the short/medium/long term and adapting them or taking mitigating measures if deemed necessary, and is linked to the suppliers' continuous improvement programmes (certification audits and reassessment audits).

Approval of suppliers

The supplier approval process is regulated by procedure PA07-09, which assesses technical competence and the level of commitment to sustainability (human rights, environmental and social) by systematically studying any new supplier in aspects such as the environment, ethics and sustainability governance and adherence to Talgo's Code of Ethics.

One of the key elements in Talgo's relationship and participation frameworks with its suppliers is the Supplier Manual. This document is the main vehicle for training suppliers in process description, quality requirements, continuous improvement and responsible purchasing.

The following were most noteworthy aspects of these processes in 2022:

- The continuation within the procurement management system of active supplier risk registers for monitoring.
- Contracting of the project for installation of photovoltaic panels at the production centres, with medium- to long-term amortisation models and the possibility of arranging a Purchase Power Agreement (PPA).
- The use of Mintec as an information portal on commodity price fluctuations.
- The use of Qlik Sense as a comprehensive support tool for indicators and BSC.
- The development of a Purchasing/Supplier Portal, which allows the management of:
 - orders, electronically,
 - contracting/purchasing requests via internal customers,
 - bids to third parties, leading to the subsequent negotiation and subsequent contracting of the requested materials and/or services,
 - delivery/invoicing/collection flows,
 - approval and re-evaluation of suppliers in accordance with the processes and procedures established for this purpose.

4.5 Suppliers

Data and indicators	2022	2021	Change
Gestión de proveedores y cadena de suministro			
Suppliers and other GGII (*) total assets as at 1 January (criticality 1 and 2).	1,875	1,792	4.6%
Total purchases: (€)	276,704,364	323,325,092	-14.4%
Purchasing from local suppliers: (€)	195,989,588	251,968,897	-22.2%

(*) Purchase-related

Data and indicators	2022	2021
Geographical distribution of goods and services		
Spain	71.4%	79.0%
Other Europe	13.6%	13.6%
Americas	6.1%	2%
Commonwealth of Independent States*	1.9%	1.3%
Middle East and North Africa	5.4%	1.8%
APAC**	1.6%	2.4%



4.5 Company

The main mechanism and organiser of the Group's social action is the Talgo Foundation, which was established in 2013 with the aim of contributing to meeting global and national challenges in the social sphere. All the information on its management and results is contained in annual reports, which can be found at www.fundaciontalgo.com

In 2022, Talgo's total investment in social action projects increased by 4.6%, exceeding 330,000 euros in a total of 30 initiatives (10 more than in 2021). It is estimated that the direct impacts achieved in the Company reached 15,000, representing a tremendous advance compared to 2021 (2018) for Talgo in its role as a force for the improvement of its immediate social and economic surroundings.

Data and indicators	2022	2021	Change
Social action			
Total investment in projects (€):	332,331	317,540	4.6%
Nº of projects	30	20	50.0%
Nº of awards	21	6	250%
Nº of scholarships	343	784	-56.2%
Estimated direct impacts	15,000	2,018	643.3%

Promoting education, training and qualification

Focused on professional development, technology and innovation in the railway sector as drivers of change, activities in 2022 included:

- Collaboration with a vocational training centre in Kazakhstan for the training of young Kazakh girls.
- Creation of the Aula Talgo, a project led jointly with the School of Industrial Engineering of the Polytechnic University of Madrid, which contributes to teaching, dissemination, research and technology transfer in the field of railway engineering.
- Lending visibility to women in the world of railway technology,
- Collaboration with the CSIC in the stimulation of scientific talent,
- Promotion of vocational training as an employment-oriented educational alternative of excellence.

At the same time, Talgo continued to promote Science, Technology, Engineering and Mathematics (STEM) qualifications. This was pursued through collaboration with different training entities and non-profit organisations that enable Group staff to serve as a reference point for training and professional experience for students at different educational levels. Accordingly, 343 study grants were awarded to people from different vulnerable sectors and groups, among others, to offer qualifications and professional skills in railway technology, leadership and business management.

Development of culture, art and history for the promotion of cultural values

In the year of its 80th birthday, many of the Group's activities also focused on promoting knowledge of Talgo technology, its history and its impact on society. One example is the collaboration with IED Madrid on an educational project to design new models of tourism based on the use of low-use regional railways for the recovery of local culture, the rural economy and the preservation of historical and landscape heritage.

Support for diversity and social equality

As it does every year, Talgo promoted and supported in 2022 the celebration of special dates related to women, people with disabilities, people at risk of exclusion and other disadvantaged groups through initiatives to raise awareness, sponsorship of women at risk of exclusion, and participation in employment workshops with the aim of providing people from these groups with the necessary tools to find employment aimed at their social inclusion. These actions have been carried out with organisations such as Prodis, Fundación Adecco, etc.

Also, 21 prizes were awarded, compared to six in 2021, where the objective is to foster and make visible the importance of women in the world of engineering, highlight innovation as a driver of business growth and promote the profession of welder in the manufacturing sector.

4.5 Company

Social action and human rights

An essential part of Talgo's social action model is the Group's volunteer work, which this year amounted to more than 2,100 hours of social work by company employees and those close to them who took part in the proposed activities.

Once again, this year, the "Involved in a different Christmas", made up of different solidarity initiatives, sought to raise awareness and involve all Talgo staff members in solidarity activities such as:

- "Great 2023 Food Drive": virtual campaign for employees to make donations (Burgos and Madrid).
- The "Talgo Awards 2022", voted for by employees themselves, acknowledge the role played by certain colleagues during the year.
- Christmas card competition for employees' children and in the Las Matas Parade of the Three Wise Men.

In addition, the strategic collaboration continued with the Association of Supportive Writers (*Asociación de Escritores Solidarios*) (NGO) to participate in the Five Words literacy project in Africa.

Data and indicators	2022	2021	Change
Corporate volunteering			
Internal participants: number and hours spent	30 450	24 760	25.0% -40.8%
External participants: number and hours spent	102 1,667	106 525	-3.8% 217.5%



The image shows the interior of a Talgo train carriage, characterized by its unique tubular design. The ceiling is a complex network of metal beams and cross-braces, with a grid of square panels. The walls are also made of metal, with several rectangular windows on both sides. The floor is a flat metal surface with a central aisle. At the far end of the carriage, a red door is visible. The overall appearance is industrial and functional.

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