



*The following English translation is provided by the Company for information purposes only, based on the original and official document in Spanish available on the Company's web site (www.caf.net). In the event of any discrepancy between the English version and the Spanish original document, the latter will prevail.*

## **REPORT OF THE BOARD OF DIRECTORS REGARDING THE RE-ELECTION OF MS. CARMEN ALLO PÉREZ AS AN INDEPENDENT DIRECTOR, INCLUDED IN ITEM 5.2 OF THE AGENDA OF THE GENERAL MEETING OF SHAREHOLDERS**

### **1.- INTRODUCTION**

The Nomination and Remuneration Committee of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. ("**CAF**" or the "**Company**") has proposed the re-election of Ms. Carmen Allo Pérez as an Independent Director of the Company.

In accordance with the provisions of section 4 of article 529 decies and section 3 of article 529 quindecies of the revised text of the Capital Companies Act (the "**Capital Companies Act**"), and article 15 of the Regulations of the Board of Directors, the Nomination and Remuneration Committee (or "**the Committee**") is responsible for proposing the appointment or re-election of the members of the Board of Directors who have the status of independent.

In accordance with section 5 of article 529 decies of the Capital Companies Act, that proposal must be accompanied by a report from the Board of Directors assessing the competence, experience and merits of the proposed candidate, which will be added to the minutes of the general meeting or of the Board itself.

This report is issued under the aforementioned article, and its purpose is (i) to endorse and report favorably on the proposal of the Nomination and Remuneration Committee for the re-election of Ms. Carmen Allo Pérez as an Independent Director for the statutory period of four years; and (ii) assess the competence, experience and merits of the proposed candidate.

The above-mentioned Committee proposal is made available to shareholders together with this Board report.

It is also noted that, for the purposes of article 518 e) of the Capital Companies Act, this report contains complete information on the identity, curriculum vitae and category to which the proposed candidate for the position of Director belongs.

### **2.- REPORT JUSTIFICATION**

#### **2.1. Nomination and Remuneration Committee Proposal**

For the purposes of this report, the Board of Directors has assessed the corresponding proposal of the Nomination and Remuneration Committee, which the Board endorses in its entirety.

That proposal states that, in view of the upcoming expiration of office of Ms. Carmen Allo, due to the expiry of the four-year term of her appointment, by virtue of the resolution of the Ordinary General Meeting held on June 11, 2016, the Committee considers it justified and appropriate to propose her re-election as a Director, based on the following considerations, among others:

Ms. Carmen Allo Pérez has a degree in Exact Sciences from the University of Zaragoza and a Master in Business Administration from the IE University (*Instituto de Empresa*). She has spent most of her career in the financial sector, holding various management positions at the

Royal Bank of Scotland and Rabobank, among others. She was appointed as a CAF Director for the first time on June 11, 2016 and since October 8, 2019 she has held the position of Chairwoman of its Audit Committee. On March 31, 2020, Ms. Allo has been appointed independent director and Chairwoman of the Audit Committee of eDreams ODIGEO, by agreement of its Board of Directors, pending ratification by the General Meeting of Shareholders of that company.

The evaluation process has been based on the prior analysis of the needs of this Board, as well as the skills, knowledge and competences that the Committee has considered most appropriate for the position of director.

The Committee has also assessed the suitability of the candidate in accordance with the criteria established in the regulations in force and the best practices of good governance in relation to the dedication, independence and the absence of conflicts of interest.

Specifically, the guidelines of the Technical Guide 1/2019 on Nomination and Remuneration Committees, published by the CNMV on February 27, 2019, consider it good practice that proposals for the re-election of directors take into account the same factors as for their first election and, furthermore, assess the performance of the director during the time in which they have held the position and their ability to continue to perform it satisfactorily.

As a result of that assessment, the Committee has found that Ms. Allo:

- (i) Continues to meet the legal requirements, as well as those of the Regulations of the Board of Directors and the Company's Director Selection and Diversity Policy, for her appointment as a Director.
- (ii) She has not incurred and does not incur in any legal prohibition or incompatibility, nor in any of the cases in which she must place her position at the disposal of the Board, according to Article 18 of the Regulations of the Board of Directors of the Company.
- (iii) Since her appointment, she has performed both the position of Director and that of Chairwoman of the Audit Committee satisfactorily, with the appropriate dedication and commitment to her role. She also has the time and capacity required to continue to fulfill her obligations in an equally satisfactory manner.
- (iv) She has the necessary skills and knowledge for candidate directors and especially for independent directors. In particular, she has extensive technical knowledge in accounting and auditing, as well as financial, internal control and risk management which, together with her professional trajectory, give her an ideal profile to continue to be part of the Board and its Audit Committee.
- (v) The legal and statutory conditions for being included in the category of Independent Director continue to apply.
- (vi) Based on the information provided by the candidate, no potential conflicts of interest are identified that could adversely affect her ability to perform her duties properly or her current or future independence.

The results of the analysis carried out regarding the appropriateness of her re-election in the position are also recorded in the minutes of the Committee meeting at which this issue was discussed.

The candidate has also ratified her agreement with the obligations of the position of Director, as well as with the rules and policies of the Company.

In the light of the above, the Committee has proposed that Ms. Carmen Allo Pérez be re-elected as an Independent Director for the statutory period of four years.

## **2.2. Justification of the Proposal**

Taking into account the reasons stated by the Nomination and Remuneration Committee, which the Board endorses, the Board of Directors considers that:

The experience and curriculum vitae of Ms. Carmen Allo certify both her competence and merits to occupy the position of Director and that she meets the requirements of suitability and solvency necessary to continue in the position in accordance with the provisions of the law and internal regulations.

The Board values very favorably the outstanding contribution made by Ms. Allo to the good management of the Company's interests, both on the Board and as Chairwoman of the Audit Committee, and therefore considers her re-election to the position, with the category of Independent Director, for the statutory period of four years, to be justified and appropriate.

Furthermore, the Board considers that the continuity of the candidate as a Director will contribute to strengthening the diversity and balance already existing in the composition of the two aforementioned bodies, mainly due to her knowledge and professional specialization in areas that the Board considers valuable. It is also worth noting that her re-election will allow the high level of independent Directors to be maintained, as well as the presence of female directors, in line with best practices in Corporate Governance.

Finally, it is noted that, in accordance with the provisions of article 2.6° of the Rules of the Audit Committee, if re-elected by the General Meeting, the Director will continue to hold her position on the Committee without the need for a new appointment.

## **3.- CONCLUSION AND PROPOSAL OF RESOLUTION**

In view of the foregoing, the Board considers the following proposal for resolution to be justified and submits it to the General Meeting of Shareholders for decision in a separate vote under item 5.2 of the agenda:

***"Fifth:***

*5.2 Re-elect Ms. Carmen Allo Pérez as an Independent Director, for the statutory period of four years.*

*(...)"*

In Beasain, May 6, 2020.