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**REPORT BY THE NOMINATION AND REMUNERATION COMMITTEE  
REGARDING THE RE-ELECTION OF MS. MARTA BAZTARRICA LIZARBE AS A  
DIRECTOR OF THE COMPANY, INCLUDED IN ITEM 5.3 OF THE AGENDA OF  
THE GENERAL MEETING OF SHAREHOLDERS**

**1.- INTRODUCTION**

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. ("CAF" or the "Company") is considering the proposal of Ms. Marta Baztarrica Lizarbe's re-election as Executive Director of the Company.

In accordance with the provisions of section 6 of article 529 decies of the Revised text of the Capital Companies Act (the "Capital Companies Act"), and article 15 of the Rules of the Board of Directors, the proposal for the appointment or re-election of the members of the Board of Directors who do not hold the independent status must be preceded by a report from the Nomination and Remuneration Committee. Additionally, according to article 529 octies, section 1, of the Capital Companies Act, and article 38 of the Company's bylaws, a prior report from the Nomination and Remuneration Committee is required for the appointment of the Secretary of the Board of Directors.

In preparing this report, the recommendations of Technical Guide 1/2019 on Nomination and Remuneration Committees, published by the CNMV on February 27, 2019 (hereinafter, the "Technical Guide") have been taken into consideration and, in particular, those related to the performance of the Committee's function of reporting on proposals for the appointment, re-election and removal of non-independent directors.

**2.- REPORT PURPOSE**

This report complies with the legal obligation established in section 6 of article 529 decies of the Capital Companies Act, and in article 15 of the Rules of the Board of Directors, on the re-election of members of the Board who are not independent, as well as the provisions of article 529 octies, section 1, of the same law, and article 38 of the Company's bylaws, which require a prior report from the Nomination and Remuneration Committee for the appointment of the Secretary of the Board of Directors.

**3.- ASPECTS CONSIDERED BY THE NOMINATION AND REMUNERATION COMMITTEE**

In view of the upcoming expiration of office of Ms. Marta Baztarrica Lizarbe, on completing the four-year term of her appointment, by virtue of the resolution of the Ordinary General Meeting of June 11, 2016, the Nomination and Remuneration Committee issues this report, favorably evaluating her re-election as Executive Director for the statutory four-year term. In doing so, it has taken into consideration, among other things, the following factors:

Ms. Marta Baztarrica Lizarbe has a degree in Law and in Economic and Business Sciences from the Universidad Pontificia Comillas (ICADE E-3) and holds an Executive Master's Degree in Business Management, as well as several postgraduate courses. She has developed her career at CAF and holds the position of Director of the Group's Legal Department. Her first appointment as a Director, with the category of Executive, took place on January 22, 2016, by co-opted appointment, and was ratified by the General Meeting on June 11 of the same year. She is the Secretary of the Board of Directors of CAF and of its Committees.

Following the criteria established in the current regulations and the best practices of good governance contained in the Technical Guide, the evaluation process has been based on the previous analysis of the needs of the Board.

The Committee also assessed the candidate's suitability for the profile and qualities required for the post of Director, as well as her suitability in relation to the requirements in terms of dedication and the absence of conflicts of interest.

Specifically, the Technical Guide considers it a 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. Baztarrica:

- (i) Continues to meet the legal requirements, as well as those of the Rules of the Board of Directors and the Company's Director Selection and Diversity Policy, for her appointment as a Director. The issue of diversity criteria is addressed more specifically in the following section.
- (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 Secretary of the Board of Directors and its Committees 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 skills and knowledge necessary for board member candidates. In particular, her legal and business training and her extensive professional experience at CAF as Director of the Legal Department are noteworthy, which attests to her knowledge of the Company and technical training for the performance of her duties as Director and Secretary of the Board.
- (v) The legal and statutory conditions for being included in the category of Executive Director continue to apply.
- (vi) According to the information provided by the candidate, no potential conflicts of interest are identified that could adversely affect her ability to perform her duties properly.

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 and with the rules and policies of the Company.

In accordance with the provisions of Article 146 of the Regulations of the Mercantile Registry, it is hereby stated that, if approved, the re-election of Ms. Marta Baztarrica as a Director will continue as Secretary of the Board of Directors, without the need for a new election and notwithstanding the power of revocation that corresponds to the administrative body in respect of this position.

#### **4.- COMPLIANCE WITH DIVERSITY CRITERIA AND OBJECTIVES IN THE COMPOSITION OF THE BOARD OF DIRECTORS**

As provided in the Director Selection and Diversity Policy of the Company, as well as in the aforementioned Technical Guide, in evaluating the re-election of the candidate, the Committee has based itself on an analysis of the needs of the Board of Directors and of the Company, in order to favor diversity of knowledge, experience and gender among the members of the Board, guaranteeing the absence of implicit biases that could lead to discrimination for reasons of age, gender, disability or any other personal condition.

As of this date, the Board is composed of two executive directors, six independent directors, one proprietary director and one director classified as "other external". Their training and experience is diverse. There is also diversity in age and gender, with three female directors. The result is a balanced Board of Directors, with high professional qualifications and experience, aligned with the needs of the business, and with diversity in knowledge, age and gender.

In accordance with the foregoing, this Committee considers that the continuity of Ms. Baztarrica as a Director will contribute to strengthening the diversity and balance in the current composition of the Board of Directors, with the contribution of legal knowledge and experience in areas of corporate governance and *compliance* that the Board considers valuable. It should also be noted that her continuance will make it possible to maintain the presence of a woman among the executive members of the Board, in line with the best practices in the field of Corporate Governance, which consist of promoting the presence of senior female executives in listed companies.

#### **5.- CONCLUSIONS OF THE NOMINATION AND REMUNERATION COMMITTEE**

In the light of the above, the Committee considers that the re-election of Ms. Marta Baztarrica Lizarbe as Executive Director and Secretary of the Board of Directors, for the statutory period of four years as justified, endorsing the corresponding proposal of the Board of Directors.

In Beasain, May 6, 2020.