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## **PROPOSAL AND JUSTIFICATORY REPORT BY THE BOARD OF DIRECTORS 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**

In accordance with the provisions of Article 529 decies of the Revised text of the Capital Companies Act (the "LSC"), 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 corresponds to the Board itself. This 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 attached to the minutes of the general meeting or of the Board itself. The proposal for the appointment or re-election of any non-independent director must also be preceded by a report from the Nomination and Remuneration Committee.

The Board of Directors of CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. ("CAF" or the "Company") has agreed to call a General Shareholders' Meeting on June 13, 2020 on first call, and on the following day on second call, including the following proposal under item 5 of the Agenda:

*"Fifth:*

(...)

*5.3. To re-elect Ms. Marta Baztarrica Lizarbe as Executive Director, for the statutory period of four years"*

The purpose of this report is to (i) justify the proposal for the re-election of Ms. Marta Baztarrica Lizarbe as Executive Director of the Company, for a period of four years, and (ii) assess the competence, experience and merits of the proposed candidate. All of the foregoing, in view of the previous report issued by the Nomination and Remuneration Committee in relation to this proposal for re-election, at a meeting held prior to this Board meeting.

The aforementioned prior report of the Committee is made available to the shareholders together with the present report of the Board.

It is also noted that, for the purposes of Article 518(e) of the LSC, this report contains full information on the identity, curriculum vitae and category of the candidate whose re-election is proposed.

### **2. JUSTIFICATION OF THE PROPOSAL FOR THE RE-ELECTION OF MS. MARTA BAZTARRICA LIZARBE**

In relation to the proposal regarding the re-election of the aforementioned Director, the Board reports the following:

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

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 has issued its report, evaluating favorably the re-election of Ms. Baztarrica 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 professional career at CAF and holds the position of Director of the 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.

The Committee has noted that Ms. Baztarrica:

- (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 the position of Director 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.

Consequently, the Committee has reported favorably on the re-election of Ms. Marta Baztarrica as Executive Director for the statutory period of four years.

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

Within the framework of the foregoing, in accordance with the Regulations of the Board of Directors and the Company's Policy on Diversity and Selection of Directors, and taking into consideration the reasons stated by the Nomination and Remuneration Committee (which the Board endorses), the Board of Directors considers the following:

The experience and career of Ms. Marta Baztarrica certify both her capacity and merits to hold 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 appreciates the performance of Ms. Baztarrica in her duties to date, as well as her knowledge of the Company and her contribution in skills that add value to the Board, particularly in the area of corporate governance and *compliance*.

Likewise, her re-election allows for the strengthening of the diversity of capacities and gender within the Board, with the presence of a woman executive, in line with the best practices of Good Governance.

Finally, it is noted that, if approved, the re-election of Ms. Baztarrica as a Director will entail her continuity as Secretary of the Board of Directors, in accordance with Article 146 of the Regulations of the Mercantile Registry.

### **3. CONCLUSION AND PROPOSALS FOR RESOLUTIONS**

In view of the above, the Board considers that the re-election of Ms. Marta Baztarrica in the position of Director, and submits to the General Meeting of Shareholders the following proposed resolution, which will be submitted for decision under item 5.3 of the agenda:

*"5.3 To re-elect Ms. Marta Baztarrica Lizarbe as Executive Director, for the statutory period of four years"*

In Beasain, May 6, 2020.