

Translation of a report originally issued in Spanish. In the event of a discrepancy, the Spanish-language version prevails.

ANNEX 1

ANNUAL REPORT ON DIRECTORS' REMUNERATION OF LISTED PUBLIC LIMITED COMPANIES

ISSUER'S PARTICULARS

| | |
|-----------------------------|------------|
| CLOSE OF FISCAL YEAR | 31/12/2017 |
|-----------------------------|------------|

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| (Tax Identification Number) CIF | A20001020 |
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| COMPANY NAME |
| CONSTRUCCIONES Y AUXILIAR DE FERROCARRILES, S.A. |

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| REGISTERED OFFICE |
| JOSÉ MIGUEL ITURRIOZ, 26 20200 BEASAIN GUIPUZCOA |

**MODEL ANNUAL REPORT ON DIRECTOR REMUNERATION OF
LISTED PUBLIC LIMITED COMPANIES**

A REMUNERATION POLICY OF THE COMPANY FOR THE CURRENT YEAR

A.1 Provide details on the Company's remuneration policy. This section will include information on:

- The general principles and foundations of the remuneration policy.
- The most significant changes made to the remuneration policy compared to the policy applied during the previous financial year, as well as the amendments made during the year to the terms for exercising options already granted.
- The criteria used to establish the company's remuneration policy and the composition of peer groups of companies whose remuneration policies have been examined to define the remuneration policy of the Company.
- The relative significance of the variable remuneration items as compared to fixed remuneration items and the criteria used to determine the various components of the director remuneration package (*remuneration mix*).

Provide details on the remuneration policy

* Upon the proposal raised by the Board of Directors on 26 April 2017, CAF's remuneration policy was approved at the Annual General Shareholders' Meeting, held on 10 June 2017, being formulated on the basis of the report and the proposal raised by the Nomination and Remuneration Committee, also on 26 April 2017. Nevertheless, it should be noted that the remuneration policy approved by the General Meeting does not include any substantial changes to the policy that has been implemented by CAF over the previous fiscal years. Furthermore, as it was agreed by the General Meeting, the aforementioned remuneration policy was applied during 2017 and will remain in force for three years following the date of its approval, this being for the 2018, 2019 and 2020 fiscal years, notwithstanding any modifications, adaptations or updates, where applicable, that may have been approved at any time by the CAF General Shareholders' Meeting.

* CAF's remuneration policy addresses the following principles and foundations:

1. General criteria

- In general, it seeks to follow a market-based approach, whereby taking the fixed remuneration of directors of similar sized listed companies or those with a similar activity as that of CAF as a benchmark, in accordance with public information provided by these companies, as well as being compliant with the principles of moderation and prudence;

- The remuneration system is based on the fundamental principle of recruiting and retaining the best professionals and rewarding them on the basis of their level of responsibility and professional background, along with internal equity and external competitiveness;

- Moreover, CAF has defined the compensation scheme for its directors and executives as an essential element for the creation of long-term value for the Company, particularly to ensure that there is a correlation between the evolution of the Company's results and an adequate profit distribution for shareholders, which benefits the Company's shareholders and its employees;

- Furthermore, at all times, CAF's remuneration system falls in line with the provisions of the applicable legal rules and incorporates the standards and best national and international practices on remuneration and good corporate governance matters.

2. External Directors

- The remuneration of board members who do not have the category of executive Directors must be sufficient to compensate for their commitment, experience and duties;

- specifically for board members who do not have the category of executive or proprietary

directors, this remuneration will be set at a level that does not undermine their independence of opinion in any way; and

- the remuneration policy seeks to encourage the motivation and retention of the most appropriate professionals.

3. Executive directors

Specifically, for executive directors, the remuneration policy based on the performance of executive roles, apart from those of supervision and collegial decision, rests upon the following premises:

- offer a remuneration that attracts, retains and motivates the most appropriate professionals so that the Company may achieve its strategic objectives within the increasingly competitive and internationalised environment where it develops its activities; and

- have a competitive global remuneration level in comparison with other comparable entities in the sector.

During the 2017 fiscal year, the executive directors had not received any variable remuneration, nor was there any remuneration system associated with the achievement of targets measuring performance on an individual level, as a business unit or for the entity as a whole. Nevertheless, the remuneration policy approved by the General Meeting provides for the possibility of incorporating variable remuneration items while it remains in force.

* Remuneration resulting from the application of the aforementioned general principles fall within the lower-middle tiers, when compared with other listed companies that are of a similar size or activity as CAF. In particular, the total remuneration per CAF director is well below the average director remuneration of non-IBEX companies that have a market capitalisation of more than EUR 500 million, this amount being EUR 304,000, as contained in the 2016 Annual Director Remuneration Report on Listed Companies prepared by the National Securities Market Commission (CNMV).

CAF has considered it appropriate to approve a remuneration policy that takes into account remunerations provided by comparable companies, where it would utilise these as a benchmark to determine director remuneration while, at the same time, taking into account the commitment undertaken by the Company with the creation of value in the interest of employees and shareholders. These same principles shall continue to be applicable in the event that a proposal is presented before an upcoming General Shareholders' Meeting for the approval of a new remuneration policy or the amendment of the current remuneration policy.

* During 2017, variable remuneration items were not implemented, since it was deemed that an exclusively fixed remuneration was sufficiently attractive for this year to retain and motivate the directors, while at the same time it allowed CAF to have a remuneration policy that was simple, transparent and stable. However, as already mentioned, the remuneration policy approved at the General Shareholders' Meeting allows for variable remuneration items associated with the achievement of certain economic-financial and sector objectives, as determined in the Strategic Plan, may be included during its term of validity, where they are to be quantifiable and in line with the corporate interest and the strategic objectives of the Company. It is the responsibility of the Board of Directors, at the proposal of the Nominations and Remuneration Committee, to determine the objectives at the beginning of each year and to evaluate the degree of achievement at the end of each year. Accordingly, the Board of Directors approved a proposal from the Nominations and Remuneration Committee, at a meeting held on 25 October 2017, to introduce variable elements to the remuneration of executive directors and senior executives, on the basis of achieving certain KPIs during the 2017 fiscal year, which is to be settled, as the case may be, during the 2018 fiscal year, where it is envisaged to design a more elaborate variable remuneration system for the 2019 fiscal year.

When establishing the various elements of the Directors' remuneration package, the Board referred to the proposal raised by the Nominations and Remuneration Committee in each case, with regard to the responsibilities and duties assumed by each Director.

A.2 Information on the preparatory work and the decision-making process used to determine the remuneration policy and any role played by the Remuneration Committee and other control bodies, where appropriate, in the formulation of the remuneration policy. This information will include, where appropriate, the composition and mandate of the Remuneration Committee and the identity of any external advisors whose services have been used to determine the remuneration policy. Furthermore, the classification of each type of director participating in the determination of the remuneration policy, shall be stated

Explain the process used for determining the remuneration policy

During the 2017 fiscal year, the CAF Nomination and Remuneration Committee submitted a proposal to the Board of Directors, during its meeting held on 26 April, regarding:

(i) a remuneration policy, which was to be presented before the Annual General Shareholders' Meeting for approval, which did not include any substantial amendments to the remuneration policy already implemented by CAF during previous fiscal years, however, it did incorporate various provisions and improvements on the basis of the changes and developments experienced by the Board of Directors and the Company; and

(ii) the proposal for directors' remuneration in their capacity of such, for the 2017 fiscal year, in accordance with the aforementioned policy, and in the event that it is approved by the General Meeting,

On 26 April 2017, the Board of Directors agreed to submit the new director remuneration policy before the Ordinary General Shareholders' Meeting for approval, pursuant to the proposal drafted by the Nomination and Remuneration Committee. The remuneration policy was approved at the General Meeting held on 10 June 2017, being the sixth item of the agenda, with a majority of 80.66% of the votes cast. Moreover, the Board of Directors also approved the director remuneration for the 2017 fiscal year, under the terms of the proposal drafted by the Nomination and Remuneration Committee.

The process undertaken to define the remuneration policy began with an assessment made by the Nomination and Remuneration Committee on the suitability of formulating and approving a remuneration model based on the responsibilities assumed by its members, so as to create value for the shareholders and staff, along with the tendencies in remuneration as observed in other comparable companies.

For this purpose, an analysis was made using public information available on the remuneration policies implemented by companies similar to CAF, in terms of activity and size, where it was observed that the remuneration received by CAF directors are average amounts in relation to these similar companies.

Consequently, the Nomination and Remuneration Committee gave its favourable opinion for the formulation of a remuneration policy to be submitted before the Board of Directors and its subsequent submission before the General Meeting for its approval, being founded on the principles of moderation and prudence, fair compensation for the effective performance the directors and that correlates with the evolution of the results and the disbursement of dividends for the shareholders.

The Nominations and Remuneration Committee is composed of three members, these being classified as: two independent directors (including the Chairman) and the third being an "other external director".

A.3 Indicate the amount and nature of the fixed components with a breakdown, where applicable, of the performance-based remuneration for senior management roles of the executive directors, additional remuneration as chairman or member of a committee of the Board, allowances for attending the meetings of the Board and its Committees or other fixed remuneration as director, along with an estimate of the annual fixed remuneration thereof. Identify other non-cash benefits and the key criteria for which they are granted.

Explain the fixed components of remuneration

The fixed elements of the directors remuneration includesalaries, in the case of executive directors; fixed remuneration, in the case of External directors; allowances for all Board members for attending Board meetings; and additional allowances for members who attend Committee meetings. Furthermore, three directors have life insurance policies as other items.

During the 2017 fiscal year, the total amount for all these items amounted to EUR 1,721 thousand, in accordance with the breakdown indicated in Section D.

At the date of approval for this report, allowances correspond to (i) remuneration for attending Board meetings, which amounted to EUR 70,000 per member, annually, and (ii) remuneration for attending Committee meetings, which amounted to EUR 15,000 per member per committee, annually.

There was no additional remuneration for the performance as Chairman.

Moreover, any life insurance policies that had been accrued during previous years in favour of the current or previous executive directors were maintained. There are no other benefits, such as advances or loans.

During the current year, the Company has two executive directors, who both receive remuneration in the form of salaries, life insurance and allowances. Also, the CEO (Managing Director) is the beneficiary of a long-term savings scheme, as detailed in Section A.5. As already indicated in the 2016 Directors Remuneration Report, and reiterated in Section A.7, the Company has signed an agreement with the Managing Director that is open-ended in nature.

As for the external directors, a fixed remuneration has been accrued in 2017 for one of them, by virtue of the additional advisory tasks rendered in the benefit of the Company's interest, as detailed in Section D.1.a).

With regard to fixed remuneration of Board members for the 2018 fiscal year, no estimate has been calculated for all items at the time of formulating this report, however, the total amount should stand at around the same as those accrued during the 2017 fiscal year.

A.4 Detail the amount, nature and main characteristics of the variable components of the remuneration systems.

In particular:

- Identify each of the remuneration plans for directors, their scope, approval date, date of implementation, period of validity, as well as their main features. In case of share option schemes, and other financial instruments, the general aspects of the scheme must include details on the conditions for the exercise of such options or financial instruments for each plan.
- Indicate any remuneration considered as profit sharing or bonus schemes, and the reason for the accrual thereof.
- Explain the fundamental parameters and rationale for any annual bonus system.
- The classification of directors (executive directors, external proprietary directors, independent external directors and other external directors) that are the beneficiaries of remuneration schemes or plans that include variable remuneration.
- The rationale of these variable remuneration schemes or plans, the chosen performance evaluation criteria, as well as the components and methods of evaluation to determine whether or not such evaluation criteria have been met, along with an estimate of the absolute amount of the variable remuneration that could be derived from the current remuneration plan, based on the degree of compliance with the assumptions or targets used as references.

Where applicable, information shall be provided regarding any deferral periods that have been established and/or the periods for retaining shares or other financial instruments, where appropriate.

Explain the variable components of the remuneration systems

The CAF remuneration system did not include any variable remuneration elements during the 2017 fiscal year.

Notwithstanding the foregoing, as already mentioned, the remuneration policy approved at the Annual General Shareholders' Meeting, held on 10 June 2017, allows for the possibility of variable

remuneration items associated with the achievement of certain economic-financial and sector objectives outlined in the Strategic Plan to be included during its term of validity, where they are to be quantifiable and in line with the corporate interest and the strategic objectives of the Company, being the responsibility of the Board of Directors, at the proposal of the Nomination and Remuneration Committee, to determine the objectives at the beginning of each year and to evaluate the degree of achievement at the end of each year.

Accordingly, the Board of Directors approved a proposal from the Nomination and Remuneration Committee, at a meeting held on 25 October 2017, to introduce variable elements to the remuneration of executive directors and senior executives, on the basis of achieving certain KPIs during the 2017 fiscal year, which is to be settled, as the case may be, during the 2018 fiscal year. Furthermore, on the same date, a proposal by the Nomination and Remuneration Committee to design a more elaborate variable remuneration scheme was also approved for the 2019 fiscal year.

A.5 Explain the main characteristics of long-term savings schemes, including retirement and any other survival benefit, either partially or totally financed by the Company, whether funded internally or externally, along with an estimate of these amounts or equivalent annual costs. Also indicate the type of plan, whether it is a defined contribution or benefit, requirements for the consolidation of economic rights in favour of the directors and their compatibility with any type of compensation for early termination or for the termination of the contractual relationship between the Company and the director.

Also, indicate any contributions in favour of a director towards a defined contribution pension plan, or an increment in the consolidated rights of a director for contributions towards a defined contribution plan.

Explain the long-term savings schemes

As reported in the Annual Report on Directors Remuneration for previous fiscal years, the Company has subscribed a long-term savings scheme for the Managing Director. This is a long-term group savings insurance under the defined contribution system, which is compatible with other types of compensation, where, after the payment of annual premiums, a benefit is guaranteed at the corresponding expiration date. Until such date, there is no consolidation of any rights. During the 2017 fiscal year, a contribution of EUR 140,000 was made for this item.

A.6 Indicate any compensation agreed to or settled in case of termination of duties as director.

Explain the compensation

There has not been any compensation agreed to or settled for the termination of a director's Nomination, except for that indicated in Section A.7.

A.7 Explain the terms and conditions that must be included in the contracts of executive directors performing senior management duties. Among other things, provide information on the duration, limits of the compensation amounts, tenure clauses, terms of notice along with any payment in lieu of the aforementioned term of notice and any other clauses related to contractual bonuses, as well as any compensation or golden parachute agreements for early termination or the termination of a contractual relationship between the Company and the executive director. Include the contracts or agreements regarding non-competition, exclusivity, tenure or loyalty and post-contractual non-compete clauses and similar.

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| Explain the contractual terms and conditions for executive directors |
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| In accordance with the regime provided for in Article 249 of the Companies Law (LSC) on directors who perform executive functions under a delegation of powers granted by the Board or of any other title, the Company signed an agreement with the Managing Director for an indefinite period which included the content stipulated in the aforementioned article. This agreement establishes a compensation equivalent to two years of fixed remuneration in the event that the Company terminates the employment contract of the Managing Director on its own accord and without any cause attributable to the director. Furthermore, the contract expressly determines the obligations of the Managing Director in terms of non-competition and exclusivity for a period of two years following the removal of the Managing Director. |
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- A.8 Explain any supplementary remuneration payable to directors for special services outside the scope of the usual duties of a director.

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| Explain any supplementary remuneration |
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|---|
| There is no supplementary remuneration payable to directors for special services outside the scope of the usual duties of a director. |
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- A.9 Explain any remuneration in the form of approved advances, loans and guarantees, indicating any interest rates, the essential aspects and the repayable amounts, as well as any obligations assumed on their behalf as a guarantee.

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| Explain any approved advances, loans and guarantees |
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| The directors have not received any remuneration in the form of advances, loans or guarantees. |
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- A.10 Provide details on the main characteristics of any remuneration in kind.

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| Explain any remuneration in kind |
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| The company has not signed any agreements on remuneration in kind with the directors, apart from that already mentioned for life insurance. |
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- A.11 Provide details on the remuneration accrued by a director relating to payments made by the listed company to a third-party to which such director provides services, if such payments are intended to compensate the director's services in the company.

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| Provide details on the remuneration accrued by a director relating to payments made by the listed company to a third-party to which such director provides services |
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| There is no remuneration accrued by a director relating to payments made by the Company to a third-party where such director provides his or her services |
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- A.12 Provide details on any other remuneration item that is distinct from the foregoing, whatever it may be or the group entity providing such, especially

if it is considered a related-party transaction or if its settlement distorts the fair view of the total remuneration accrued by a director.

| Provide details on the miscellaneous remuneration items |
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| There are no additional remuneration items. |

- A.13 Provide details on any actions undertaken by the company with regard to the remuneration scheme so as to reduce exposure to excessive risks and that brings it in line with the Company's objectives, values and long-term interests, which is to include, where appropriate, any references to: planned measures to ensure that the remuneration policy addresses the Company's long-term results, mechanisms establishing a suitable balance between the fixed and variable remuneration items, adopted measures for the categories of employees whose professional roles have a material impact on the entity's risk profile, repayment clauses or measures to claim the reimbursement of variable remuneration items on the basis of results, when these items had been settled according to data whose inaccuracy has been manifestly demonstrated after the event and contemplated measures so as to avoid any conflict interests, where applicable.

| Provide details on the actions taken to reduce risk |
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| <p>The CAF remuneration policy primarily address market criteria and the compliance of the principles of moderation and prudence.</p> <p>For the definition of the components and amounts that comprise the remuneration system, at all times, CAF addresses the long-term interests of the Company and, in particular, to ensure that there is a correlation between the evolution of the Company's results and an adequate profit distribution for shareholders.</p> <p>As an example of this, the directors had not received any advance payments, guarantees or loans during 2017, nor have they received any additional remuneration due to their capacity as Board members or as senior managers of the other Group Companies.</p> <p>Following an analysis of public information available on the remuneration accrued by directors of companies similar to CAF, it was observed that the amounts received by CAF directors are around the moderate amounts in relation to these similar companies.</p> <p>On the basis of the foregoing, the Company deems that any exposure to excessive risks has been reduced and that the implemented remuneration system meets the Company's objectives, values and long-term interests.</p> |

B REMUNERATION POLICY FOR FUTURE FISCAL YEARS

Cancelled

C GLOBAL SUMMARY OF THE APPLICATION OF THE REMUNERATION POLICY DURING THE FISCAL YEAR JUST ENDED.

- C.1 Summarise the main aspects of the structure and items of the remuneration policy applicable during the fiscal year in question, by providing details on the breakdown of the remuneration accrued by each of the directors specified in Section D of this report, along with a summary of the Board's decisions regarding the application of these items.

Explain the applicable structure and items of the remuneration policy during the fiscal year

During the 2017 fiscal year, the Company has applied a structure and various remuneration items similar to those utilised over the previous years, although it incorporated some projections and improvements based on the changes and developments occurring on the Board of Directors, pursuant to the remuneration policy approved by the Annual General Shareholders' Meeting held on 10 June 2017.

Accordingly, only fixed remuneration items have been applicable, these being: salaries, fixed remuneration and allowances for Directors attending Board and Committee meetings, along with life insurance in certain instances.

Furthermore, the Company has settled the annual contribution for the long-term savings scheme signed with the Managing Director.

During the fiscal year, the directors have not benefited from any variable remuneration system, option schemes for shares and/or other financial instruments or any other forms of remuneration such as advances, guarantees or loans. Directors had not received any additional remuneration due to their capacity as Board members or as senior managers of the other Group Companies.

During the 2017 fiscal year, the total remuneration for all directors amounted to approximately EUR 1,721 thousand, which included salaries, fixed remuneration, life insurance and allowances for attending the meetings of the Board and the Committee thereof. Moreover, the Company has made a contribution to the long-term savings scheme corresponding to the Managing Director, as already stated, which amounts to EUR 140,000.

The Board of Directors has determined the remuneration for each director on the basis of the criteria and circumstances observed in previous years and in accordance with the new remuneration policy approved by the Annual General Meeting held on 10 June 2017. Furthermore, the Board's rationale in this regard is based on the submitted opinions of the Nominations and Remuneration Committee and on the responsibilities and roles assumed by each Director.

D**BREAKDOWN OF THE INDIVIDUAL REMUNERATION ACCRUED BY EACH OF THE DIRECTORS**

| Name | Category | Accrual Period 2017 |
|--------------------------------|----------------|--------------------------------|
| ANDRES ARIZKORRETA GARCIA | Executive | From 01/01/2017 to 31/12/2017. |
| ALEJANDRO LEGARDA ZARAGÜETA | Other External | From 01/01/2017 to 31/12/2017. |
| JUAN JOSÉ ARRIETA SUDUPE | Independent | From 01/01/2017 to 31/12/2017. |
| LUIS MIGUEL ARCONADA ECHARRI | Other External | From 01/01/2017 to 31/12/2017. |
| XABIER GARAIALDE MAIZTEGI | Other External | From 01/01/2017 to 11/12/2017. |
| JAVIER MARTÍNEZ OJINAGA | Independent | From 01/01/2017 to 31/12/2017. |
| JOSE ANTONIO MUTILOA IZAGUIRRE | Proprietary | From 01/01/2017 to 31/12/2017. |
| MARTA BAZTARRICA LIZARBE | Executive | From 01/01/2017 to 31/12/2017. |
| CARMEN ALLO PEREZ | Independent | From 01/01/2017 to 31/12/2017. |
| JULIÁN GRACIA PALACÍN | Independent | From 10/06/2017 to 31/12/2017. |
| ANE AGIRRE ROMARATE | Independent | From 19/12/2017 to 31/12/2017. |

D.1 Complete the following tables regarding the individualised remuneration of each of the directors (including remuneration for the performance of executive duties) accrued during the fiscal year.

a) Remuneration accrued in the reporting Company:

i) Cash compensation (amounts in thousands of EUR)

| Name | Salaries | Fixed remuneration | Allowances | Short-term variable remuneration | Long-term variable remuneration | Remuneration for serving on Board Committees | Compensations | Other items | Total Year 2017 | Total Year 2016 |
|--------------------------------|----------|--------------------|------------|----------------------------------|---------------------------------|--|---------------|-------------|-----------------|-----------------|
| ANDRES ARIZKORRETA GARCIA | 485 | 0 | 70 | 0 | 0 | 0 | 0 | 0 | 555 | 545 |
| ALEJANDRO LEGARDA ZARAGÜETA | 0 | 300 | 63 | 0 | 0 | 15 | 0 | 0 | 378 | 357 |
| JUAN JOSÉ ARRIETA SUDUPE | 0 | 0 | 70 | 0 | 0 | 30 | 0 | 0 | 100 | 60 |
| LUIS MIGUEL ARCONADA ECHARRI | 0 | 0 | 70 | 0 | 0 | 15 | 0 | 0 | 85 | 60 |
| XABIER GARAIALDE MAIZTEGI | 0 | 0 | 70 | 0 | 0 | 0 | 0 | 0 | 70 | 60 |
| JAVIER MARTÍNEZ OJINAGA | 0 | 0 | 70 | 0 | 0 | 15 | 0 | 0 | 85 | 60 |
| JOSE ANTONIO MUTILOA IZAGUIRRE | 0 | 0 | 70 | 0 | 0 | 0 | 0 | 0 | 70 | 60 |
| MARTA BAZTARRICA LIZARBE | 152 | 0 | 70 | 0 | 0 | 0 | 0 | 0 | 222 | 205 |
| CARMEN ALLO PEREZ | 0 | 0 | 70 | 0 | 0 | 15 | 0 | 0 | 85 | 36 |
| JULIÁN GRACIA PALACÍN | 0 | 0 | 42 | 0 | 0 | 0 | 0 | 0 | 42 | 0 |
| ANE AGIRRE ROMARATE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

ii) Share-based remuneration schemes

iii) Long-term savings schemes

| Name | Contribution paid by the company during the fiscal year (thousands of EUR) | | Total of accumulated funds (thousands of EUR) | |
|---------------------------|--|------------------|---|------------------|
| | Fiscal year 2017 | Fiscal year 2016 | Fiscal year 2017 | Fiscal year 2016 |
| ANDRES ARIZKORRETA GARCIA | 140 | 90 | 230 | 90 |

iv) Other benefits (in thousands of euros)

| ANDRES ARIZKORRETA GARCIA | | | | |
|--|------------------|---|------------------|------------------------------|
| Remuneration in the form of advances, approved loans | | | | |
| Interest rate for the operation | | Main features of the operation | | amounts potentially returned |
| 0.00 | | 0.00 | | 0.00 |
| Life insurance premiums | | Guarantees approved by the Company in favour of the Directors | | |
| Fiscal year 2017 | Fiscal year 2016 | Fiscal year 2017 | Fiscal year 2016 | |
| 17 | 14 | 0.00 | 0.00 | |

| ALEJANDRO LEGARDA ZARAGÜETA | | | |
|---|-------------------------|--|-------------------------------------|
| Remuneration in the form of advances, approved loans | | | |
| Interest rate for the operation | | Main features of the operation | amounts potentially returned |
| 0.00 | | 0.00 | 0.00 |
| Life insurance premiums | | Guarantees approved by the Company in favour of the Directors | |
| Fiscal year 2017 | Fiscal year 2016 | Fiscal year 2017 | Fiscal year 2016 |
| 12 | 11 | 0.00 | 0.00 |

| MARTA BAZTARRICA LIZARBE | | | |
|---|-------------------------|--|-------------------------------------|
| Remuneration in the form of advances, approved loans | | | |
| Interest rate for the operation | | Main features of the operation | amounts potentially returned |
| 0.00 | | 0.00 | 0.00 |
| Life insurance premiums | | Guarantees approved by the Company in favour of the Directors | |
| Fiscal year 2017 | Fiscal year 2016 | Fiscal year 2017 | Fiscal year 2016 |
| 0 | 0 | 0.00 | 0.00 |

b) Remuneration accrued by the directors of the Company for serving on the Board of Directors of other Group Companies:

i) Cash compensation (amounts in thousands of EUR)

| Name | Salaries | Fixed remuneration | Allowances | Short-term variable remuneration | Long-term variable remuneration | Remuneration for serving on Board Committees | Compensations | Other items | Total Year 2017 | Total Year 2016 |
|--------------------------------|----------|--------------------|------------|----------------------------------|---------------------------------|--|---------------|-------------|-----------------|-----------------|
| ANDRES ARIZKORRETA GARCIA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ALEJANDRO LEGARDA ZARAGÜETA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| JUAN JOSÉ ARRIETA SUDUPE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| LUIS MIGUEL ARCONADA ECHARRI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| XABIER GARAIALDE MAIZTEGI | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| JAVIER MARTÍNEZ OJINAGA | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| JOSE ANTONIO MUTILOA IZAGUIRRE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| MARTA BAZTARRICA LIZARBE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| CARMEN ALLO PEREZ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| JULIÁN GRACIA PALACÍN | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| ANE AGIRRE ROMARATE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |

ii) Share-based remuneration schemes

iii) Long-term savings schemes

c) Summary of remuneration (amounts in thousands of EUR):

The amounts corresponding to all the remuneration items included in this report that have been accrued by a director are to be included in the summary and expressed in thousands of euros.

The contributions or provisions made towards long-term savings schemes are to be included:

| Name | Remuneration accrued in the Company | | | | Remuneration accrued in Group Companies | | | | Totals | | |
|--------------------------------|-------------------------------------|--------------------------|------------------------------------|--------------------------------|---|--------------------------|------------------------------------|------------------------------|------------------------|------------------------|--|
| | Total cash remuneration | Amount of shares awarded | Gross yield from exercised options | Total Fiscal Year 2017 Company | Total cash remuneration | Amount of shares awarded | Gross yield from exercised options | Total Fiscal Year 2017 Group | Total Fiscal Year 2017 | Total Fiscal Year 2016 | Contribution to savings schemes during the fiscal year |
| ANDRES ARIZKORRETA GARCIA | 555 | 0 | 0 | 555 | 0 | 0 | 0 | 0 | 572 | 559 | 140 |
| ALEJANDRO LEGARDA ZARAGÜETA | 378 | 0 | 0 | 378 | 0 | 0 | 0 | 0 | 390 | 368 | 0 |
| JUAN JOSÉ ARRIETA SUDUPE | 100 | 0 | 0 | 100 | 0 | 0 | 0 | 0 | 100 | 60 | 0 |
| LUIS MIGUEL ARCONADA ECHARRI | 85 | 0 | 0 | 85 | 0 | 0 | 0 | 0 | 85 | 60 | 0 |
| XABIER GARAIALDE MAIZTEGI | 70 | 0 | 0 | 70 | 0 | 0 | 0 | 0 | 70 | 60 | 0 |
| JAVIER MARTÍNEZ OJINAGA | 85 | 0 | 0 | 85 | 0 | 0 | 0 | 0 | 85 | 60 | 0 |
| JOSE ANTONIO MUTILOA IZAGUIRRE | 70 | 0 | 0 | 70 | 0 | 0 | 0 | 0 | 70 | 60 | 0 |
| MARTA BAZTARRICA LIZARBE | 222 | 0 | 0 | 222 | 0 | 0 | 0 | 0 | 222 | 205 | 0 |
| CARMEN ALLO PEREZ | 85 | 0 | 0 | 85 | 0 | 0 | 0 | 0 | 85 | 36 | 0 |
| JULIÁN GRACIA PALACÍN | 42 | 0 | 0 | 42 | 0 | 0 | 0 | 0 | 42 | 0 | 0 |

| | | | | | | | | | | | |
|---------------------|--------------|----------|----------|--------------|----------|----------|----------|----------|--------------|--------------|------------|
| ANE AGIRRE ROMARATE | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| TOTAL | 1.692 | 0 | 0 | 1.692 | 0 | 0 | 0 | 0 | 1.721 | 1.468 | 140 |

D.2 Report on the correlation between the remuneration received by the directors and the results or any other performance measures of the entity and explain, where appropriate, how the changes in the Company's performance had an effect on the director remuneration.

The Board and the Nomination and Remuneration Committee take into consideration the economic and financial situation of the Company to establish the amount of remuneration for directors. Nevertheless, the remuneration system implemented by CAF for the 2017 fiscal year has only included fixed remuneration items, as already explained. Consequently, no remuneration has been directly calculated, or accrued in favour of the directors, on the basis of the variation in the Company's performance.

D.3 Report on the outcome of the consultative vote for the annual report on remunerations of the previous period, presented at the general meeting, and indicate the number of votes cast against, if any:

| | Number | % of the total |
|-------------------|---------------|-----------------------|
| Votes cast | 24,383,251 | 71.12% |

| | Number | % of the total |
|----------------------|---------------|-----------------------|
| Votes against | 4,779,112 | 19.60% |
| Votes for | 19,603,189 | 80.40% |
| Abstentions | 950 | 0.00% |

E OTHER INFORMATION OF INTEREST

Explain briefly any relevant aspect relating to director remuneration that has not been covered by another section of this report and that is required so as to provide a more comprehensive and fair view of the remuneration structure and practices employed by the Company or Group.

This Annual Remuneration Report was approved by the Company's Board of Directors at its meeting held on 27/02/2018.

State if there were any directors who voted against or abstained from the approval of this Report.

Yes No