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REPORT PREPARED BY THE NOMINATION AND REMUNERATION COMMITTEE IN RELATION TO THE APPOINTMENT OF MR. MANUEL DOMÍNGUEZ DE LA MAZA AS A DIRECTOR OF THE COMPANY, INCLUDED IN ITEM 5.4 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 proposing the appointment of Mr. Manuel Domínguez de la Maza as a director of the Company under the category of "Proprietary".

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 Regulations of the Board of Directors, the proposal for the appointment or re-election of the members of the Board of Directors who are not independent must be preceded by a report from the Nomination and Remuneration Committee.

In addition to the Recommendations of the Code of Good Governance of Listed Companies ("CBG"), in preparing this report, the guidelines of the 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, particularly 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 Regulations of the Board of Directors.

3.- ASPECTS CONSIDERED BY THE NOMINATION AND REMUNERATION COMMITTEE

The Board of Directors of the Company intends to propose to the General Meeting of Shareholders, called for June 13, 2020 on first call the appointment of Mr. Manuel Domínguez de la Maza, as the new proprietary director of the Company, for the statutory period of four years, representing the significant shareholder Indumenta Pueri, S.L., which holds an indirect participation (through the company Global Portfolio Investments, S.L.) of 5.022% of the share capital.

In view of the foregoing, and based on the provisions of article 529 decies of the Capital Companies Act, this Committee has analyzed the current structure, composition and needs of the Board of Directors, as well as the profile of the proposed candidate, for the purpose of issuing the corresponding report.

Mr. Manuel Domínguez de la Maza has a degree in Economics from the University of Málaga and an MBA from IESE, a Master's in Leadership from Columbia University, as well as other postgraduate studies. He has developed most of his career at Mayoral Moda Infantil, S.A. where he has been the General Manager since 2007. He is also a member of the Board of Directors of Indumenta Pueri, S.L.

As a result of the assessment made, the Committee has found that the proposed candidate:

- (i) Complies with the legal requirements, as well as with the Regulations of the Board of Directors and the Company's Director Selection and Diversity Policy, in order to be appointed as a director. The issue of diversity criteria is addressed more specifically in the following section.
- (ii) He does not incur in any legal prohibition or incompatibility, nor in any of the cases in which he must place his position at the disposal of the Board, according to Article 18 of the Regulations of the Board of Directors of the Company.
- (iii) He has the time and capacity required to fulfill his obligations in an equally satisfactory manner.
- (iv) He has the skills and knowledge necessary for board member candidates.

In particular, his qualified curriculum vitae and his previous experience in the fields of business management and strategy, international market expansion and senior management are highly valued by the Company. Furthermore, these competencies are suitable, according to the evaluation previously carried out by the Committee in relation to the necessary profiles in the Board of Directors.

- (v) He meets the legal and statutory requirements to be included in the category of Proprietary Director. The Committee has ascertained that the appointment of a proprietary director representing Indumenta Pueri, S.L. is appropriate in view of the shareholding of the aforementioned significant shareholder in the Company.
- (vi) According to the information provided by the candidate, he is not involved in any potential conflict of interest that might adversely affect his ability to perform his duties properly.

The results of the analysis carried out with regard to the appropriateness of his designation are also recorded in the minutes of the Committee meeting at which this issue was discussed.

Likewise, the candidate has ratified his conformity with the obligations of the position of Director as well as with the rules and policies of the Company.

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

As stipulated in the Company's Director Selection and Diversity Policy and in the aforementioned Technical Guide, in assessing the appointment of the candidate, the Committee has based itself on an analysis of the structure, composition and needs of the Board of Directors and of the Company, in order to favor the diversity of knowledge, experience and gender among the members of the Board, guaranteeing the absence of implicit biases that could lead to discrimination on grounds of age, gender, disability or any other personal condition.

At the time this report is issued, the number of directors is ten, which is within the limit established in the Bylaws, the Board Regulations and Recommendation 13 of the CBG. Of these, two are executive directors, six are independent, one is a proprietary director and one is an "external director". Non-executive directors therefore constitute the vast majority of the Board, in accordance with Recommendation 15 of the CBG.

The training and experience of Board members is diverse. There is also a range of ages and genders, with three female directors. This results in a balanced Board of Directors, with high professional qualifications and experience, aligned with the needs of the business, and with diversity of knowledge, age and gender.

With regard to the individual profile of the candidate Mr. Manuel Domínguez de la Maza, this

Committee considers that his appointment as a director will contribute to maintaining the diversity and balance in the current composition of the Board of Directors, providing new knowledge and experience in areas that the Board considers necessary, such as the following:

- (a) extensive experience in management and business management positions of the highest responsibility,
- (b) leadership in the design of business strategies and in internationalization and market diversification processes.
- (c) skills, experience and knowledge in economic and financial aspects and in the management of human teams.

5.- CONCLUSIONS OF THE NOMINATION AND REMUNERATION COMMITTEE

In view of the foregoing, the Nomination and Remuneration Committee considers the appointment of Mr. Manuel Domínguez de la Maza as a Proprietary Director of the Company, for the statutory period of four years, to be justified and reports favorably.

Assuming the favorable agreement of the General Meeting of Shareholders on the proposals included in items 5.1 to 5.3 of the agenda, the appointment of Mr. Manuel Domínguez de la Maza as a new Proprietary Director will entail the corresponding increase to eleven in the number of members of the Board of Directors.

In this regard, this Committee considers that eleven members constitute an adequate number to ensure the due representation and efficient operation of the Board of Directors, within the range provided for in the internal regulations and in the CBG, and therefore proposes that the Board of Directors submits to the General Meeting the corresponding proposal to set the said number of directors.

In Beasain, May 6, 2020.