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**REPORT PREPARED BY THE NOMINATION AND REMUNERATION
COMMITTEE IN RELATION TO THE APPOINTMENT OF MS. IDOIA
ZENARRUTZABEITIA BELDARRAIN AS A DIRECTOR OF THE COMPANY,
INCLUDED IN ITEM 5.1 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 Ms. Idoia Zenarrutzabeitia Beldarrain 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 preparing this report, the recommendations 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

At the date scheduled for the holding of the Annual General Shareholders' Meeting of this year, the term for which Mr. José Antonio Mutiloa Izaguirre, appointed Director by co-optation in October 2015 at the proposal of the significant shareholder Kutxabank, S.A., and subsequently ratified by agreement of the Annual General Shareholders' Meeting held on June 11, 2016, will have expired, originating the corresponding vacancy.

For his part, the referred significant shareholder has expressed to the Board his willingness to replace the director who represents it by Ms. Idoia Zenarrutzabeitia Beldarrain.

Based on the provisions of article 529 decies of the Capital Companies Act, and as a consequence of the proposal for appointment that the Board of Directors plans to submit to the Annual General Shareholders' Meeting of the Company, 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.

Ms. Idoia Zenarrutzabeitia Beldarrain has a degree in Law, with the legal-economic specialty, from the University of Deusto. She has a long career in the political field, where she came to

occupy, among others, the positions of Deputy in the Basque Parliament and Vice-President and Councilor of Finance and Public Administration of the Basque Government. She has also been a Director of the National Energy Commission and, subsequently, of the National Commission on Markets and Competition until 2017. She is currently a member of the Board of Trustees of various EPSVs of the BBK.

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) She 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) She has the time and capacity required to fulfill her obligations in an equally satisfactory manner.
- (iv) She has the skills and knowledge necessary for board member candidates. In particular, her extensive technical knowledge acquired throughout her professional career is most valued, mainly in the public and regulatory sectors. It also highlights her experience in the exercise of management responsibilities as well as in the area of institutional relations, competencies that are considered valuable and suitable for the Board, according to the evaluation of the necessary profiles in it, carried out previously by this Commission.
- (v) She 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 Kutxabank, S.A. is appropriate in view of the shareholding of the aforementioned significant shareholder in the Company and to the fact that the actual Proprietary Director named on behalf of the said significant shareholder will have expired for the holding of the Annual General Shareholders' Meeting.
- (vi) According to the information provided by the candidate, no potential conflicts of interest that might adversely affect her ability to perform her duties properly are identified.

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

Likewise, the candidate has ratified her 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 designation 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 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 Board is made up of two executive Directors, six independent Directors, one Proprietary Director and one who is an "external director".

Their training and experience 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.

In accordance with the above, this Committee considers that the appointment of Ms. Zenarrutzabeitia as a Director will contribute to strengthen the diversity and balance in the current composition of the Board of Directors, will add value to it due to her vast knowledge and experience in areas which are important to the Company, and will also allow to increase the number of female directors, in line with the best practices in the field of Corporate Governance.

5.- CONCLUSIONS OF THE NOMINATION AND REMUNERATION COMMITTEE

In view of the foregoing, the Nomination and Remuneration Committee considers the appointment of Ms. Idoia Zenarrutzabeitia Beldarrain as a Proprietary Director of the Company, for the statutory period of four years, to be justified and reports favorably.

In Beasain, May 6, 2020.